THE Freeman

IDEAS ON LIBERTY

MAY 1967

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THE Freeman

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THE POPULATION PROBLEM

W. M. CURTISS

PLANNERS the world over are pointing to the current and pending population explosion and the dire consequences which will arise therefrom. The stories are truly frightening. It is usually contended that population, especially in the developing countries, will far outrun the production of food, and mass starvation will result unless something is done about it. The "something" which must be done ranges all the way from sharing our agricultural surpluses, tractors, livestock, and hybrid seed to the use of the "pill" to cut birth rates. Is it any wonder that individuals, if they view all this as a collective problem, feel helpless and frustrated in looking ahead into the next century?

Does history tell us anything about population problems and their solutions? Indeed it does. It tells us, for example, that individuals respond one way to freedom and responsibility and another way to socialism. So long as a family with freedom to increase its own numbers has the responsibility of rearing its young and caring for its old should they become helpless, there is a very strong incentive to (1) restrict its numbers within manageable limits, or (2) increase the productivity of the family and its ability to care for increasing numbers. Both factors are usually at work.

When there is freedom to add numbers to the family without responsibility to care for them, we have a genuine problem. Nor are we lacking examples which bear this out. In the United States, families on relief, with payments based

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in part on the number of children in the family, tend to be larger than where responsibility for child care rests with the parents. One need not be surprised at this manifestation of human nature.

A Strong Motivation

Responsibility toward one's children — the desire to do well by them — is a strong motivating force. But if the opportunity arises, some parents are willing to shift this responsibility — whether to relatives, to friends, or to the state.

Even in our comparatively free economy, more and more of the responsibility for rearing children is being shifted to the state. Perhaps it began with "free" elementary education. No matter how many children a family sends to a government school, the school tax rate on that family's property is the same as on other property. The greater the number of children in a family, the lower that family's tax per child. And for families with no property to tax, schooling is literally free.

Such "free" education also has been extended to high school and college levels; and increasing Federal aid for education further diminishes parental feelings of responsibility for rearing one's children.

Another example of shifting the responsibility to the state occurs in the form of exemptions for children on one's income tax return. The more children, the less tax. Young parents, in announcing the birth of a baby, sometimes describe it as a new exemption. The income tax exemption is comparable to the practice in some countries of paying family allowances. The more children, the greater the tax allowance or the benefit payment.

This is not to say that modest income tax exemptions for children or even "free" education and recreation are a great incentive to increase the size of families in an advanced economy such as ours. But such measures tend to work in that direction, and they illustrate the shift of responsibility from parents to the state.

Changing Circumstances

In the early primarily agricultural economy of the United States, large families were common. Not a high proportion of children reached maturity, but those who lived were an economic asset at an early age, both in the home and in the fields. Following the Industrial Revolution, with comparatively fewer engaged in agriculture and a higher proportion of the population living and working in urban centers, the incentive for large families declined,

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and so did birth rates. Parents were presented with a choice between a large number of children at a subsistence level of living, or fewer children with more of the so-called "advantages of life."

In most of the advanced industrial countries today, we find lower birth rates and smaller families than in the developing, agricultural countries.

BIRTH RATES

(Births for each 1,000 population)

Industrial Countries	
Belgium (1965)	16.5
Denmark (1965)	18.2
Italy (1965)	19.2
Japan (1965)	18.6
Switzerland (1964)	19.2
United Kingdom (1965)	18.4
United States (1965)	19.4
Agricultural Countries	
Brazil (1959-61)	40-43
Burma (1965)	44.8
Costa Rica (1964)	40.8
Ecuador (1964)	46.9
Guatemala (1964)	44.4
Mexico (1965)	45.3
Venezuela (1964)	43.4

Source: *Statistical Abstract of the United States, 1966*

Since World War II, Japan has been experiencing an industrial revolution. Prior to the War, Japan had a very high birth rate, and planners were predicting a serious population situation as numbers outstripped the nation's food production. But with the growth of industry in Japan, the birth rate has been cut in half.

When men have enjoyed sustained freedom long enough to develop an advanced industrial society, with parents responsible for rearing their own children, it would appear that there is a strong tendency to limit the number of offspring. It should be noted that "rearing" as used here means more than just food, clothing, and shelter. It includes medical aid, education, religion, recreation, and whatever else parents think important for their children.

But, what if one's religion or national customs or local mores interfere with a decision to limit the size of one's family? These are some of the many factors which affect the decision of an individual. It is a personal and not a collective problem. Parents truly responsible for rearing their children are faced with many such individual decisions.

Shifting Responsibility

The real problems with regard to population arise when the responsibility for rearing their children is relinquished by or removed from the parents. This may happen in a number of ways.

Providing food free or at "bargain" prices to families is one

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way of reducing parental responsibility for children. Genuine famine relief is not at issue here. The providing of free food, or gifts of any kind for that matter, whether to individual families or to entire nations, fails on at least three counts. First, it doesn't touch upon their basic need for more capital to enable them to become more productive. Second, it may discourage developing countries from seriously undertaking the job of increasing their own production of food. And third, relevant to this discussion, it eliminates economic pressures upon individuals to curb population growth.

It has been demonstrated in some developing countries that, when people are given food and medical aid, population growth tends to push against the limit of these resources with no improvement whatever in per capita welfare. As long as the people of a nation consume their entire production each year, they cannot industrialize. To become an industrial nation, at least some of the people must save to acquire the tools of production.

The Solution

Population becomes a serious problem to the extent that it is considered a responsibility of government. As a matter of fact, a great many problems originate in this manner, when government stands between willing buyers and willing sellers. Delivery of mails is a problem only because it is a monopoly of the state. If mail were handled privately and competitively in the market, the problems would be solved. Agricultural surpluses are a problem only because of government intervention. If left to the free market, supply and demand would tend to balance through price.

Transportation, especially in densely populated urban areas, is a problem only because government has stepped into the picture to regulate prices and to control transportation in many ways. Labor problems are serious, chiefly because government has granted certain monopoly powers to organized groups of workers.

So it is with population! If families individually can retain the freedom to decide how large that family shall be and, at the same time, have no choice but to shoulder the responsibility for rearing the members of the family, no population problem will exist.

If population expands faster than food supplies, the cost of food will rise and stimulate increased production or imports. If the price rises to a point where families feel it is too high, they will economize in different ways.

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Some may take measures to avoid further increase in the number of mouths to feed. Some may search for better food bargains – perhaps less meat and more grains. In any case, self-responsible individuals will feel the incentive and will make the adjustment.

Problems Stem from Intervention

But, if government comes into the picture – especially to take on part or all of the responsibility for rearing the children – a population problem is certain to result. And, if the state assumes *both* the responsibility for raising food *and* caring for children, two very complicated and interrelated problems will result.

The United States government, at taxpayer expense, has given away billions of dollars worth of food and other items all over the world during the past twenty years. The principal effects upon the recipients appear to be increasing enmity and increasing population. How much better if the people of the developing nations of the world could learn, instead, how we avoided our population problems by not creating them in the first place. They could learn, if they would, how we progressed from a nation 90 per cent engaged in farming to fewer than 10 per cent; yet, we feed ourselves in a way that is the envy of the world. They might come to understand that all this happened before government started to meddle with our agriculture and created our own farm problem.

The United States could contribute to the developing countries of the world in no finer way than simply serving as a model – an example – of how freedom made it possible for the people to emerge from a small, struggling, colonial nation to a level of living that astounds the world. The miracle of all this would need explaining to those who do not understand how it could happen. That understanding is needed, not only by those of foreign lands, but by many of our own people who have come to believe that we can have more by doing less, that the state is supreme, that all the problems of production are solved, and all that remains is to divide the fruits between the public and private sectors. The great debate is whether the production of a nation is to be divided according to decisions in a free market by those who have something useful to trade; or, should government officials make the allocation according to what they think is best for all.

Yes, we could serve as an example for the newer countries. No doubt about it, they see our accomplishments and admire them.

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They would like to emulate them. But, when our emissaries go abroad to explain how we became so rich, what is the typical explanation?

Since these emissaries usually are government employees, they tend to explain our achievements in terms of what government is doing. And it comes out like this: "You must have a strong central government to control the actions of the people. You must have agrarian reform. Note how we built our agricultural surpluses! You must have minimum wage laws so that purchasing power of the workers can be high. You must organize your workers so they can defend themselves against monopolistic employers. You must build expensive roads and hospitals and schools and dams, and so forth, like we do." It is fairly obvious that such explanations are failing to achieve the desired results.

Our emissaries do not tell what really brought the United States from a poor, undeveloped nation to what it is today. Nor is this clearly revealed in the model we hold up before them. Unseen and untold is the need for a high degree of individual freedom in all walks of life – freedom to make mistakes and pay the price, as well as freedom to succeed and reap the rewards.

With freedom, people will work and produce. A few will save and create capital – tools of production that will multiply the benefits for all.

This is the lesson which developing countries need. This is far more essential to them than gifts of food, drugs, and tractors for their governments to dispense. If a developing nation learns the freedom formula – rather than "from-each-according-to-ability, to-each-according-to-need" – many modern-day problems that plague the people of this and other nations will never arise. The "population explosion" is one of those unnecessary problems. ◈

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Freedom From Government

ECONOMIC FREEDOM, in the American sense, is maximum *freedom from government*. Capitalism is fundamentally a system in which people as far as possible are free to *mind their own business* but not free to *mind other people's businesses*.

HAROLD M. FLEMING, *States, Contracts and Progress*

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A PROMISE TO INFLATE

HENRY HAZLITT

LYNDON B. JOHNSON "pledged" the American people in his State of the Union message to "do everything in the President's power to lower interest rates and to ease money." Whether he knows it or not, this was a pledge to resume and increase inflation.

He blandly took it for granted that it is a legitimate function of government to decide how high interest rates ought to be.

To begin with, this is government price-fixing, for the interest rate is a price. It is, in fact, the most important single price in the whole economy. It is the discount on future goods as against present goods. It affects the price of everything else.

But under the influence of his Keynesian advisers, Mr. Johnson tells us that his administration "will press forward toward easier credit and toward lower interest rates." What he and they fail to see are the consequences of trying to do this.

If the free market rate of interest on short-term loans to business were under given conditions 6 per cent, and government arbitrarily ruled that it must be only 5 per cent or 4 per cent, the demand for loans to business would be much greater than the supply of existing funds. Credit would then have to be rationed among different

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borrowers, with the government dictating who should get how much.

This is precisely what the Federal Reserve Board tried to do last September when it demanded a curb on bank loans to business so that more credit would be available in other directions. It has since wisely revoked this directive.

The only other way in which government monetary authorities can hold the rate of interest below the market rate is either to allow the quantity of money to increase or deliberately to increase it. Other things being equal, lower interest rates encourage business borrowing from the banks. When banks increase their loans, they increase their deposit credits. These increased deposits are an increase in the effective supply of money.

The monetary authorities may increase the money supply on their own initiative by buying government securities in the open market. They pay for these either by granting increased deposit credits to the member banks from which they bought the securities or by issuing and paying out new Federal Reserve notes. This is known as "monetizing" government securities.

Governments (and many businessmen and bankers) think this is fine because the increased borrowing and money creation, at the beginning, stimulates production and employment.

But it also soon has another effect. The increased supply of dollars cheapens the value of the dollar and raises prices. The higher prices then tend to halt the increase in demand. Because of the higher prices, businessmen have to increase the amount of their borrowing still further to continue to do the same volume of business. If the monetary authorities then fail to continue the inflation by issuing still more money, interest rates soar.

That is what happened last September when interest rates went to their highest levels in more than 30 years.

Trying to force interest rates below their natural level finally results in causing them to rise much above their natural level.

Easy money policies, in short, finally lead to the opposite results from those that their sponsors hope for. What is temporarily saved in interest is more than lost in higher prices.

Easy money policies are inflationary policies. It makes no sense at all to ask at the same time for higher taxes and for cheaper money. ◈

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HAROLD M. FLEMING

Antitrust "HUMBUG"

THE ANTITRUST LAWS of the United States have since the 1930's been the subject of odd, novel, and disconcerting administrative and Supreme Court decisions; and such continue to be announced at a rate that shows no signs of abating.

Examples of these appear in the spate of merger decisions beginning in 1962. The Supreme Court's first decision under the 1950-amended antimerger Section (7) of the Clayton Act, in the Brown Shoe case (370 U.S.294) was a long one. Yet four trial court judges, with Brown Shoe as guidance, shortly thereafter handed down decisions which were then reversed by the high court. And in the Von's Grocery case, decided May 31, 1966, the Supreme Court majority handed down a decision of which two dissenting Justices said:

This startling *per se* rule is contrary not only to our previous decisions, but contrary to the language of Section 7, contrary to the legislative history of the 1950 amendment, and contrary to economic reality.

But merger decisions are not the only recent ones likely to disconcert the business community. In 1966 the Federal Trade Commission's arguments persuaded the Supreme Court that privately-branded milk could not be legally sold cheaper than nationally-branded milk "of like grade and quality" (unless the discount was "cost-justified") – a decision likely to cast a wide penumbra of illegality over pricing in a variety of goods from milk to mattresses. Ten years earlier the same F.T.C., in the case of branded *gasolines*, had attacked a major gasoline marketer (Pure Oil in Birmingham) for trying to *narrow the spread* between major and independent brands, which are occa-

Mr. Fleming, for many years New York Business Correspondent of the *Christian Science Monitor*, is a prominent free-lance writer on business and economics.

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sionally of identical specifications.

And in 1964, in *Simpson* v. *Union Oil* (377 U.S.13) the high-court majority struck down a consignment agreement to which the Antitrust Division, in a consent decree ten years earlier, had tacitly agreed – a decision which, since perhaps a sixth of the nation's wholesale trade is done on consignment, led a dissenting Justice to write: "Today's upsetting decision carries with it the most severe consequences to a large sector of the private economy."

The Belief in the Antitrust Laws

Yet, year after year American businessmen profess their fundamental faith in the antitrust laws. The following are typical expressions of this credo:

> First, I should like to make it very clear that I have for many years supported the basic antitrust statutes.
>
> I firmly believe that these laws are good laws, essential laws, and that they have been the instruments of preserving within the business community the competitive environment which is the essence of a free economy.
>
> Crawford H. Greenewalt, Board Chairman, du Pont, before the 1963 annual meeting of the Antitrust Section of the American Bar Association.

Maintenance of reasonable and effective antitrust policies is something that every enlightened businessman should and does support.

> M. A. Wright, President, U. S. Chamber of Commerce, in a speech, September 6, 1966 in San Francisco.

And the Attorney General's National Committee to Study the Antitrust Laws, in its March, 1955 report, declared its faith in "antitrust fundamentals," saying:

> Although many forces and other Government policies (sic) have materially promoted our creative American economy, we believe the antitrust laws remain one of the most important.

Statements such as the above, made by businessmen, usually are a preface to suggestions for a more realistic interpretation of the antitrust laws; the combination recalls the protestations of loyalty with which the King's subjects in former times used to plead for redress of wrongs by the King's agents, done presumably in disregard of his true intent and will.

There seem to be some premises here which are not altogether sound.

One is that there exists an unfortunately innate tendency, in the American economy, toward monopoly and conspiracy.

Another is that it has been the "historic mission" of the antitrust laws to curb this; and that,

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in fact, these laws have done so, if only by their presence on the statute books.

A corollary follows naturally, from a businessman's viewpoint, namely, that the only trouble with the antitrust laws is that, in their broad generality, they have come, in recent years, to be unrealistically interpreted.

The Dead-Letter Years

History seldom has answers to the question, "What would have happened *if* . . . ?" But to the question, "What would happen to our industrial economy if there were no antitrust laws?" there is a pretty fair answer. For more than two decades after 1890, the Sherman Antitrust Act was virtually a dead letter. Industrial pools to curb the cutthroat competition of the 1890's were formed, collapsed, formed again, and then replaced by huge horizontal industrial combinations, "conceived in the sin of violating the Sherman Act," as a judge put it fifteen years later. This was the greatest "merger period" in American history, the ambitious comprehensive nature of its "attempts to monopolize" being shown publicly by the new style of corporate names — National, United, American, United States, Amalgamated, Allied, and so on.

For years none of these were challenged legally; most of them never were. There was no Antitrust Division until 1903. The first famous monopoly case was started in 1906, against Standard Oil. Three "trusts" (oil, tobacco, and gunpowder) were broken up by court order in 1911, after which a half-dozen good-sized cases were brought (against United Shoe, U.S. Steel, American Can, National Cash Register, International Harvester, and Alcoa). But the legal results were disappointing to the "trust-busters," and the rest of the attempted monopolies of 1900-1901 escaped unscathed by the law.

But not unscathed by competition. Some failed. Those that survived failed to grow with their markets; competition swept in on their flanks. In the fall of 1901, the very year of the great merger speculation, an economist wrote in the *Quarterly Journal of Economics:*

> As this is written . . . almost every day brings word of the appearance of new competitors for various trusts, and the *New York Journal of Commerce* says that the revival of competition may be considered a general movement.
>
> Charles J. Bullock, quoted in *Trusts, Pools and Corporation,* edited by William Z. Ripley; Ginn & Co., 1905, p. 472.

The survivors lost their share-

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of-market most consistently when they tried to capitalize on what they thought of then, and the courts would think of now, as their "market *power*." The net of it all was put succinctly by the Supreme Court in 1920 in its refusal to break up the U.S. Steel Corporation: "*Whatever there was of wrong intent could not be executed.*" (251 U.S.452)

Since these combinations had already been launched when trust-busting began to be a popular issue, the only effect the law could have had on their market conduct would have been to make them compete *less* vigorously. If so, it had no apparent effect on the general vigor of the economy. Anyway, as a famous economist later put it:

> The rate of increase in (industrial) output did not decrease from the nineties . . . the modern standard of living of the masses evolved during the period of relatively unfettered "big business". . . the rate of advance . . . considering the spectacular improvement in qualities, seems to have been greater and not smaller than it ever was before.
>
> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, Harpers, 3rd edition, p. 81.

Castles in the Sand

A curious paradox dogged the trail of the Antitrust Division in its earlier Section 2 (antimonopoly) cases. Within five or ten years of each decision, it appeared that it wouldn't have made much difference if the case had never been brought; the alleged "monopoly," like a sand castle, was doomed anyway.

In 1911 when the Supreme Court ruled unanimously against Standard Oil (221 U.S.1), the company had been losing ground for a decade. The 1900's were the "twilight of the kerosene age," but Standard was also losing ground in the new gasoline business to such vigorous new competitors as Pure, Sun, Union, Gulf, and Texaco. Its earnings were declining and its dividends were smaller in 1911 than in 1900.

The court-ordered fragmentation of Standard was ill-devised for trust-busting. For it created six refiner-marketing companies (Atlantic and the Standard Oil Companies of New York, New Jersey, Ohio, Indiana, and California) each, on the average, with as large a share of the market in its allotted area as the parent company had had for the nation as a whole. If anything, this probably enabled these survivor companies to fight the "independents" more, rather than less, effectively than a single company run from 26 Broadway could have. Nevertheless, they continued to lose, and

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the independents to gain, in market share, for decades.

Other leading cases had similarly paradoxical economic aftermaths. In 1895 the high court refused to condemn the American Sugar Refining Company for combining *98 per cent* of the nation's sugar-refining capacity (E. C. Knight, 156 U.S.1). But 30 years later sugar-refining was fiercely competitive again. In 1911 the "tobacco trust" breakup left a "big three" but a couple of years later an outside firm, R. J. Reynolds, transformed the business with its new burley-tobacco cigarette, "Camel." A 1914 monopoly case against a motion-picture patents pool was won just as outside competition practically doomed the pool; a 1931 order to Fox Films to sell its shares of Loew's barely preceded Fox Films' failure; and the 1948 court-ordered divorce of movie studios from movie houses hit the business almost simultaneously with TV.

In 1923 the Antitrust Division asked the courts to break up International Harvester – only survivor of the several turn-of-the-century farm-machinery mergers. Antitrust was particularly anxious to split up Harvester's 65 per cent of the grain-binder business. The Supreme Court refused, 6 to 0 (274 U.S.693, 1927). Ten years later, the company still had two-thirds of the business in grain binders. But grain binders had been practically outmoded by the new harvesting combines.

The last of the old-fashioned big monopoly cases brought by Antitrust was against the Pullman Company, owner of the Pullman Sleeping Car Company and of the manufacturing company that supplied it. It was a Pyrrhic victory. Pullman had indeed a nation-wide monopoly of sleeping car operation, but it was an economically natural one, as the Court recognized in letting a syndicate of railroads take it over from Pullman – in one piece.

But the "monopoly" (on the ground) was also both unprofitable and ill-omened. It had earned one per cent on investment during the 1930's; and after the war the airlines did to it just about what, a generation earlier, the automobile had done to the street-car monopolies. (Pullman, Inc., invested a good part of the proceeds from its divested sleeping cars in truck-trailer manufacture.)

Mousetrap-Maker's Hazard

But after Pullman, Antitrust's spectacular anti-"monopoly" crusades no longer led toward the antitrust holy grail that businessmen say they believe in. In its attacks on Great Atlantic & Pacific, Alcoa, United Shoe, du Pont (cell-

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ophane) and GM (diesel locomotives), it picked on companies that had succeeded by the four "i's" – ingenuity, imagination, innovation, and improvement. It won the A&P case on fantasy accounting and the Alcoa and Shoe cases on a redefinition of "monopolizing" to mean keeping ahead of competitors; it almost won its cellophane case on a now-discarded "relevant market" argument. The absurd criminal indictment of General Motors for revolutionizing the railroad locomotive business charged that

> GM captured over 84 per cent of the locomotive market during a period in which two once-substantial competitors were driven from the field. As a result . . . the purchasers of locomotives and the public in general have been *deprived of the benefits of competition.* (italics added)
>
> *Wall Street Journal*, April 13, 1961.

GM Chairman, Frederic G. Donner, had a sardonic comment:

> While a process such as this will not turn the clock back to the age of the steam locomotive, it may well cause business to pause before undertaking the many risks of embarking upon a new business venture such as the development and manufacture of the diesel locomotive.

In the earlier cases above, the Division's antimonopoly patrol was somewhat like an assignment to keep the Gulf of Mexico free of icebergs. But the last five cases above call to mind dissenting Supreme Court Justice Stewart's carefully documented comment in the Von's Grocery case: ". . . the defendants are being punished for the sin of aggressive competition."

"Monopoly": Fact and Fiction

The word "monopoly" as commonly used is practically synonymous with "sin," and is about as precise. It comes down from Elizabethan days, and shows it; applied to the kaleidoscopic American business economy, it fits like a stocking on a duck's foot.

Its use as a legal "term of art" started as a fundamentally incorrect analogy with Elizabethan monopolies. The Tudor monopolies were official grants to royal favorites of the exclusive rights to trade in things that people couldn't do without or find substitutes for, like salt. They worked like very high protective tariffs, raised prices sharply, were legally enforced with guns, and could be got around only by smuggling.

It is not surprising that the American public in the 1890's was confused; the nascent American industrial system was something wholly new under the sun. But the courts began the error with their

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eyes open. Said the Ohio Supreme Court, in condemning the Standard Oil Trust, after quoting a three-century-old precedent:

> It is true that in the case just cited the monopoly had been created by letters patent; but the objections lie not to the manner in which the monopoly is created.
>
> 49 Ohio State, 137, 1892.

Successful businessmen soon knew better. In 1901 Andrew Carnegie and John Wanamaker were quoted as saying:

> Every attempt to monopolize the manufacture of any staple article carries within its own bosom the seeds of failure . . . no men, or body of men, have ever been able, or will be able, permanently to hold control of any one article of trade or commerce.
>
> Quoted in Ripley, p. 448.

But having early taken off from economic reality, the courts went further in flights of fancy. In the well-known Tobacco case in 1946 (328 U.S.781) the U.S. Supreme Court said this of monopoly:

> The material consideration in determining whether a monopoly exists is not that prices are raised *and* that competition is excluded, but that *power exists* to raise prices or to exclude competition *when it is desired to do so.* (italics added)

One might ask, "If the monopolist has the *power*—as he did have under a Tudor monopoly grant—to raise prices and/or exclude competitors, why doesn't he use it?" The answer, or the joker in this definition, is that, as Andrew Carnegie guessed and the would-be monopolists of 1901 found out the hard way, he *doesn't have* such power. He cannot raise prices *and exclude competitors* at the same time. His higher prices will be a loud "come-and-get-it," and the bigger he is, the louder the invitation. It is that simple.

Or it *was* that simple, in the early 1900's, when manufacture was mostly of staples, industries were distinct and compartmentalized, and price was paramount. The story of how the would-be monopolist's hazards have been multiplied since those days was dramatized, though not begun, with the Model T's story in the mid-twenties. In 1923 Ford had a near "monopoly" of the lowest-price car market; Model T's outsold the nearest challenger (Chevrolet) well over three to one. But four years later, the Model T was dead; the heart of its manufacture stopped beating. Significantly, perhaps, 1927 was also the first year of the annual auto model change.

Today innovations come fast, obsolescence is rapid, and the profitable life of products, services, and equipment is short. The

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thresholds between industries have dropped to the vanishing point. The mobility of competitive capital and managerial skill into sluggish industries has been speeded like the mobility of air-borne troops, retarded only by Sherman and Clayton Act antimerger rulings. Cloistered corners there may be; but no firm can count on keeping its feet and protecting its future except by continuously doing what got A&P, Alcoa, Shoe, du Pont, and General Motors haled into court: using ingenuity and imagination to innovate and improve.

Conspiracy

Section 1 of the Sherman Act says, "Every contract, combination, . . . or conspiracy, in restraint of trade . . . is . . . illegal."

Some antitrust experts today feel that the prevention of business conspiracies has been the most successful part of the Sherman Act. And no quotation from Adam Smith is more fashionable today than his whimsical observation:

> People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.
>
> *Wealth of Nations*: Book I, Chap. X, Part II.

This tells but half the story. For the natural tendency of businessmen to conspire has its own built-in "countervailing force" — their natural tendency to go it alone. This last has intermittently raised havoc with combinations and conspiracies in restraint of trade from the last decades of the nineteenth century on down through that government-sponsored open breach in antitrust, the NRA, to the electrical equipment conspiracy of the 1950's.

When pools and conspiracies have tried to set *reasonable* prices, the disruptive or centrifugal forces have come from within — from among their own members. To prevent this, devices have had to be used, such as the depositing of money by each member, to be forfeit to the other members on violation of the agreement.

Where, on the other hand, such ad hoc agreements try to set *unreasonable* (above-market) prices, the disruptive forces from within are reinforced by pressure from without. Just as the early consolidations found that raising prices to inviting levels defeats itself, so do conspiracies.

The courts have taken an unrealistic view of price agreements of even the mildest nature, just as they have of "monopoly power" that has no power. Thus in the pivotal Trenton Potteries case

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(273 U.S. 392, 1927) the Supreme Court said:

> The power to fix prices, whether reasonably exercised or not, involves power to control the market and to fix arbitrary and *unreasonable* prices. *The reasonable price today may become the unreasonable price tomorrow.* (italics added)

Not so, reported a 1904 observer of industrial pooling agreements before and just after 1900:

> No pool or price agreement can continue where the price has not been fixed at a reasonable figure . . . only when the pool price is too low unduly to tempt the outsider . . . is its position at all secure.
>
> Quoted in Ripley, p. 84.

In the last 30 years the antitrust enforcement agencies have extravagantly expanded their concept of conspiracy, making it an "elastic, sprawling and pervasive offense" (Jackson, J., concurring, *Krulewich* v. *U.S.336 U.S.440,* 1949) embodying "conscious parallel action," implied conspiracy, and merely *inference of* conspiracy. A notable result has been a long record of immediate acquittals and directed verdicts of "not guilty." But an unfortunate consequence has been to endanger cooperative business activities; even when these are undertaken at the behest of government agencies, they may, in some future year, unless protected by a piece of paper from the Antitrust Division, be found criminal.

Conclusion

In the brilliant records of American business achievement, the antitrust laws are being given a vast amount of undeserved credit. In practice such good as they have done, could have been done through Anglo Saxon common law, worked out by cases. The attempt to federalize business morality, through laws conspicuous for their vagueness, has turned out, after 75 years, to have chiefly resulted in the creation and growth of ever more powerful administrative agencies. An incidental, but understandable and natural, result has been to discourage, more often than to promote, competition. Never was antitrust less needed than today – and never more broadly applied.

Over 50 years ago, when the law was very young, Supreme Court Justice Oliver Wendell Holmes wrote to an English legal friend in 1910 his private opinion that "the Sherman Act is a humbug based on economic ignorance and incompetence."

What he would write about it now, beggars the imagination. ◈

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ETERNAL VIGILANCE

By the seers of antiquity and to this day, man has been warned frequently:

UNDERSTAND AND CHERISH FREEDOM,

LEST SLAVERY BECOME A HABIT.

Yet, man forgets – which is our justification for now reproducing some of those earlier warnings.

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I. The Prisoner of Chillon

François Bonnivard, who had been held a political prisoner for four years in the underground dungeon of the Chateau de Chillon, an ancient castle on the eastern end of Lake Geneva, was finally released on March 29, 1536.

Lord Byron wrote a stirring description of Bonnivard's captivity, "The Prisoner of Chillon." After a detailed portrayal of the prisoner's abhorrence of his confinement – during which he was kept in chains and denied even the privilege of seeing daylight – Byron describes Bonnivard's release:

It might be months, or years, or days,
I kept no count, I took no note,
I had no hope my eyes to raise,
And clear them of their dreary mote;
At last men came to set me free;
I ask'd not why, and reck'd not where;
It was at length the same to me,
Fetter'd or fetterless to be,
I learn'd to love despair.

And thus when they appear'd at last,
And all my bonds aside were cast,
These heavy walls to me had grown
A hermitage – and all my own!
And half I felt as they were come
To tear me from a second home:
With spiders I had friendship made,
And watch'd them in their sullen trade,
Had seen the mice by moonlight play,
And why should I feel less than they?
We were all inmates of one place,
And I, the monarch of each race,
Had power to kill – yet strange to tell!
In quiet we had learn'd to dwell;
My very chains and I grew friends,
So much a long communion tends
To make us what we are: – even I
Regain'd my freedom with a sigh.

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II. That Invaluable Jewel, Liberty

Before the time of Christ, Aesop's fable on how the horse lost his freedom prompted this comment from the Roman philosopher and poet, Horace:

THIS is the case of him, who, dreading poverty, parts with that invaluable jewel, Liberty; like a wretch as he is, he will be always subject to a tyrant of some sort or other, and be a slave forever; because his avaricious spirit knew not how to be contented with that moderate competency, which he might have possessed independent of all the world.

III. Security May Betray Us

Archibald Rutledge, noted author and owner of Hampton Plantation, McClellanville, South Carolina, shares this observation:

I LIVE on a great river, and westward from my place, for some 60 miles, there is not a human habitation. In another direction not far from where I live is a plantation, the owner of which is not satisfied with the size of the deer on his property. So he imported from Michigan a huge security-reared stag. This buck was kept for some time in an enclosure on the plantation, inside a 7½-foot wire fence. It was in the autumn, the mating season of the deer. A native buck from the man's own place jumped that wire fence at night, killed the great stag more than twice his size, and, once more leaping the fence, escaped into the wilds again.

When wild creatures are given the artificial security of parks, zoos, and circuses, they never fail to deteriorate – certainly in a physical way, and, in a sense, in a moral way as well. They become soft, careless, dull-witted, degenerate. All the incentive for them to achieve and to maintain physical perfection and mental alertness has been withdrawn. They have been made to pay a fearful price for their safety.

Rarely except in affliction are we awakened to a sense of our own weakness and folly, or come to

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realize how little all our acquisitions can conduce to our peace of heart, which perhaps is the only real triumph in life. By some kind of negative logic, hardship, which we are accustomed universally to lament, is a blessing; and security, for which we long so ardently and strive for so unremittingly, may betray us.

Whenever I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a sure market or a sure job, I feel sorry for him, too. Even helping a person to help himself may be a disservice to him, for you will probably – perhaps unconsciously – compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

IV. Legislated Security Is Bondage

Samuel Gompers, the "grand old man" of labor and president of the AFL, 1886-1924, warned his union members to look behind the humanitarian slogans used by the advocates of government-guaranteed security.

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LOOK over all the world where you will, and see those governments where the features of compulsory benevolence have been established, and you will find the initiative taken from the hearts of the people.

Social insurance cannot even undertake to remove or prevent poverty. It is not fundamental and does not get at the causes of social injustice.

The first step in establishing compulsory social insurance is to divide people into groups, those eligible for benefits and those considered capable of caring for themselves. The division is based upon earning capacity. This governmental regulation must tend to fix the citizens of the country into classes, and a long-established insurance system would tend to make those classes rigid.

There is in the minds of many an absence of understanding of the fundamental essentials of freedom. They talk freedom, and yet

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would have bound upon their wrists the gyves that would tie them to everlasting bondage.

For a mess of pottage, under the pretense of compulsory social insurance, let us not voluntarily surrender the fundamental principles of liberty and freedom.

V. Contented Slavery

IT MAY seem strange that the slave, totally lacking in liberty, frequently feels no strong resentment toward the master who has enslaved him. In fact, the slave may even feel grateful toward his master who "so kindly gives me food and necessities with which to live, and without which I would surely die." It is said that many a newly-freed slave after the War Between the States feared liberty because, due to the narrow vision of his experience as a slave, he acquired this strange feeling of kindness toward his oppressor. A similar feeling is reported to have been held by the oppressed in Hitler's Germany, and in Stalin's Russia; and we have noted the same feeling among those who have acquired the habit of leaning on a benevolent government in our own country. All these victims of a lost liberty are unmindful of the fruits of liberty, due to the blindness which compulsory or voluntary slavery has caused.

Thus wrote F. A. Harper in Liberty: A Path to Its Recovery *(1949) at about the same time Ralph Bradford, well-known business organizational official, was setting it to verse in his epic* Heritage:

The tragic voice of contented slavery!
Of all the evils man-invented,
Beyond the depths of conscious knavery,
Beyond the limits of belief,
It is the truth, to mankind's grief,
That slavery can be contented!

The slave cries out when he is sold
Down river, or his back is scarred
With lashes; but when he is told
That safety minus risk is offered,
He does not see that chains are proffered,
Or know he enters a prison yard.

And bondage is not always a chain,
Nor a prison pen, nor an auction block;
It is not always labor and pain –
It may be privilege, comfort and ease,
That hide the shackles he never sees
And fasten the slave with a gilded lock!

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VI. Why Is Slavery Possible?

LEONARD E. READ

IT IS easy enough to see how a man who has once known freedom might be forced – against his will and despite his struggles – into captivity. It is no puzzle, for example, to understand how a man could be forced – at gunpoint – into a Siberian salt mine.

But what is the explanation when freedom declines among men who had known its blessings and yet put up no scrap to stay free? Why the lethargy all about us while American citizens submit to one control after another? Where are the scrappers – the defenders of individuality who might forestall this trend toward slavery? Surely, slavery could never succeed in the face of determined and continuing resistance.

For example, there wouldn't be a tiger in any zoo were the tiger to remain as ferocious as when first captured. Man simply would not put up with such a beast. The caged tiger, however, does not retain his ferocity. The wild beast soon becomes docile and as grateful for its food and other attentions as a house cat.

Why? The tiger was at liberty in its native habitat, had experienced freedom, but ferocity attends only the initial stages of captivity. Docility comes quickly and certainly with imprisonment. Could the reason be that the tiger has no understanding of the distinctions between liberty and serfdom? Knows no definitions? If the tiger has no knowledge or awareness of his liberty, he cannot remember a knowledge he has never possessed. His cage becomes the only habitat he knows, and he eats and sleeps, contentedly.

There never would have been any Negro slavery in America had the Negroes remained as intractable as when first taken in hand by the slave traders. They rebelled at first but soon became docile. They, too, had been at liberty in their African habitat. However, they were primitive men. They lacked the power of articulate expression in the field of ideas. They were not in possession of definitions and the distinctions between freedom and slavery. They lacked awareness; nor could they remember that which had never been known to them. They soon accepted as normal the slavery which became their lot. They had nothing but the normalcy of their slavery to serve them as a point of reference.

Symbolic of the modern trend toward serfdom is the imposition

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of progressive taxation, especially the income tax. The Sixteenth Amendment would not be on our statute books had any substantial number of Americans foreseen its consequences.

In this instance of a growing serfdom or, conversely, a loss in freedom of choice, there was no abrupt change to arouse resistance. These progressive taxes were imposed ever so gradually. Hardly anyone noticed the "take" at first. Americans adopted the principle of progressive taxation because they did not understand it. They did not realize that this was a denial of the concept of equal treatment under the laws and a displacement of the methods of voluntary exchange with a government-enforced policy "from each according to his ability, to each according to his need."

Further proof that there was but little understanding of the liberty that was forsworn and the intervention that was accepted is the fact that as the "take" has increased over the years, there has been no rebellion, even on the part of those on whom the "bite" has been the greatest. Each succeeding increase is only a new normalcy greeted with the docility and indifference of the imprisoned tiger and the enslaved Negro. And, in my view, the reasons are the same: No understanding of the definitions and the sharp distinctions between liberty and serfdom.

It is self-evident that tigers will never be freed from zoos by any doing of their own.

It is a historical fact that slavery was not abolished in America by any rebellion on the part of the Negroes.

It is equally plain that present-day Americans who have accepted or are indifferent to the growing encroachments of the state cannot be expected to rescue themselves.

Intellectual rebellion is not made of indifference or docility. It is made of sterner stuff. It has its roots in an understanding that liberty is the freedom to do as one pleases creatively; that restraint has no place except against destructive, predatory activity; that serfdom restrains creative action. It displaces self-control with control of self by others. To deprive a person of self-control leaves him little incentive to indulge in constructive or creative thought. Without the desire, one soon loses the capacity for self-control.

A person who understands these distinctions, even though he be in prison or in the salt mines at the point of a gun, cannot be called a serf. All that can be properly said of him is, "There is a free man restrained."

Free men, defined as those who understand these distinctions, are

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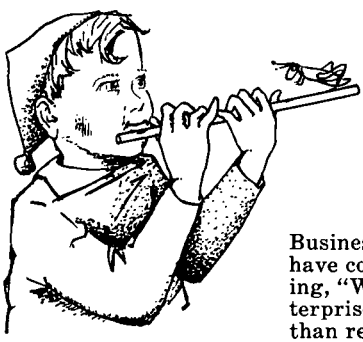
the only ones who can rescue the indifferent and the docile from a growing serfdom. The burden is on them and them alone. The burden cannot be shared by anyone who is unaware.

Awareness of the difference between slavery and liberty is the individual's only defense against enslavement. Therefore, it is tremendously important to preserve the ideals of self-control, reflected in the concepts of personal choice, private property, freedom of exchange, and government limited to the defense of these rights of the individual. To lose awareness of these ideals makes slavery possible, without a struggle. It is passive surrender of the only reason, if not the only chance, for life. ◈



THE BOY WHO DIDN'T CRY "WOLF!"

HELEN COPELAND

Business and conservative elements in America have continually injured their own cause by shouting, "Wolf!" too long and too often . . . Private enterprise has conditioned the public to accept rather than reject statism.

SYDNEY J. HARRIS

A SHEPHERD BOY was tending his sheep as usual when a grasshopper lit on the end of his flute. He caught it in his hand and called out in a loud voice that was heard way down in the city, "Grasshopper!" All of the important people in town and even some who were not important rushed to the hillside where the boy was intensely absorbed in watching the green bug eat a blade of grass. When they saw it was only a small insect, they were annoyed. "What's the matter with you, Boy?" the mayor scolded. "Yelling bloody murder over a little grasshopper!"

"But look at his sharp mandi-

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bles," the boy said. "He can really chew up grass." Nobody looked. They sighed and went back down the hill.

The boy caught several more grasshoppers the next day. He let them go and lay back in the soft grass to play his flute. But his ears were very acute, and he couldn't play well because of a faint annoying hum that took away the joy of hearing his own music. He turned over on his stomach and propped himself up on his elbows, his chin on his hands, frowning. Then, in the distance, he perceived the source of the hum, a loose gray cloud low over the horizon. Suddenly he was on his feet yelling, "Locusts, locusts!" at the top of his voice.

The townspeople all rushed to the hillside. "Locusts!" the mayor exclaimed indignantly, red-faced and panting from the long uphill run. "I thought you said, 'Help us.' Don't you know we've never had locusts in this area? That's just a thundercloud. Not afraid of a little rain, are you, Boy?"

"But, Sir, I can hear them. It's a huge swarm of grasshoppers out there." He pointed with his flute.

The mayor, the members of the city council, and the townspeople all looked at the dark horizon. The mayor wagged his shaggy head and snipped a grasshopper off his sleeve. "There, there," he said. "I can see this job is getting you down. You're lonesome. Next week come into my office and we'll see about getting you a position that will suit your temperament." He smiled at the shepherd boy and his big hand squeezed the boy's shoulder. "Don't worry about grasshoppers, Boy. Think of it this way. Grasshoppers can be a benefit. They can fatten up the partridges which means more meat in the freezers. Always think positively; and don't call again, unless you see a wolf."

The boy never saw a wolf, but the next day there came a great cloud of grasshoppers to the land. They neatly clipped the green grass with their sharp little mandibles till there was none left and the sheep, baaing pitifully, straggled away. The boy then came into town, which, like the country, was overrun with locusts. The mayor with a severe case of laryngitis had gone to bed, but the members of the city council carped at the boy. "Why didn't you tell us? We could have seeded the sky with insecticide!"

"I *did* tell you!" the boy protested. But they turned their backs on him and he felt angry and confused. But he was no more miserable than anyone else. Everyone was hungry and the old joke about the lazy grasshopper wasn't funny any more. ◈

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Principles of Progress

Robert K. Newell

All civilized societies of men have possessed inherent conceptions of human dignity and social justice. These intrinsic human values and desires, rather than the transitory governments that have attempted to articulate and formalize them, have provided the basis for social progress and the advancement of civilization.

Western civilization has been founded on two essential principles of human association. The first principle recognizes that men are entitled without reservation to the rewards of their legitimate efforts and to jurisdiction over property they have justly acquired. The second principle simply affirms the first in the hearts of men and provides mutual respect for human rights that translates into social ethics and civil justice.

The great social controversies at the crossroads of history have often revolved around conflicts between the natural desire of men to make the most of their legitimate opportunities and governmental failure to reflect accurately this basic human right. Civilizations have stagnated and social ethics have degenerated whenever these self-evident principles of human association have been abandoned in favor of legislated social nostrums and politically contrived definitions of civil justice.

It is difficult to assess the precise evolutionary position of our own complex society and project social and political trends through to specific conclusions. Fortunately, however, present human problems and social conflicts essentially are as old as civilization itself and can be viewed in the broad perspective of political history. Political history teaches by comparison with previous exam-

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ples gathered across centuries of human relationships and is a most competent aid in making projected estimates of the future and predicting ultimate results of governmental policies.

A Sound Foundation

Our nation was founded on sound principles of human association that recognized the inalienable human right of free men in society to acquire property within the framework of social ethics and civil justice. Jurisprudence, during the early stages of social unfolding, took no direct interest in processes of human enterprise or in the development of the national economy. The primary concern of law was the arbitration of justly disputed property claims; and everyone happily assumed that the blessings of liberty adequately had been secured for themselves and their posterity because these principles of social development vaguely had been defined by the wording of elaborate documents. But, like historical predecessors, the nation gradually altered founding principles to conform to constantly changing definitions and political formalizations of human rights, social ethics, and civil justice.

Human rights, social ethics, civil justice, and political freedom are words commonly employed to convey concepts of human association. But, as is the case with all words that attempt to transmit ideas, the meanings of the words are as varied as the ideas of the people who use them. Ideas that are diametrically opposed, and all the gradations between, often find expression in the same word. Thus, in human association, whenever principles are abandoned in favor of political definitions of words, every form of social organization can find justification for its existence in the wording of a given document.

A Perversion of Concepts

In our society, conceptions of freedom slowly have transmuted from self-evident freedoms of human opportunity to diametrically opposed political formalizations. Freedom is now quite generally considered to be the by-product of socialism that emancipates the human being from the moral burdens and responsibilities of self-provision, self-government, and effective living. Human rights no longer are regarded as being intrinsic to the nature of man. Rather, human rights are now defined in terms of the welfare, economic provision, and standard of living that men have a right to demand and expect from the welfare state.

Social ethics and civil justice no

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longer are based upon mutual respect for human rights to unlimited opportunity. Justice now demands that effort and indolence be equally rewarded and that men contribute to the state in accordance with their ability and receive from the state according to their need. Ethics no longer reside in the hearts of men but instead are based upon nothing more substantial than the political caprice of the moment. The law itself has greatly exceeded legitimate functions of arbitration and plunged headlong into the economic and social life of the nation.

Government, with its multiplicity of laws, now directly manipulates the entire society and clumsily attempts to legislate varying human energies into conformity by reducing mankind to a common economic and social level. In the frantic search for socialized utopia, the nation has completely lost sight of this amply demonstrated historic fact. Regardless of the words employed, the principles of individual responsibility, mutual respect, and personal morality – rather than governmental proclamations – must necessarily underwrite the social institutions of any lasting society.

What Might Have Been

Socialistic planners have assumed full credit for all progress in every area of human association and point with fatherly pride to the continuous growth of the nation. The responsibility for astronomical public debt and ruinous inflation, which the experiments in socialism have incurred along the way, is assumed by no one. These inevitable stigmas of socialistic experimentation ignominiously are left to be pondered by future generations. How much of the national economic and social growth, generally attributed to socialistic interventionism, was due, in fact, to a normal advance in industrial technology – and indeed, how much faster and more soundly the nation might have developed without the intervention of political nostrums – are matters for hypothetical conjecture. Had the Sixteenth Amendment failed to be ratified, could the floodgates of socialism so readily have been opened? Had the fantastic sums of money, confiscated under this provision and squandered on political fantasies, been invested by private enterprise, could social objectives have been identified more accurately and attained with less waste, extravagance, and corruption? These, and many other related queries viewed against the background of political history, occupy the conjectural interest of every thoughtful citizen.

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Social Decadence

Less conjectural, and more obvious than the economic situation, however, is the unmistakable decline of human values that has accompanied the rise of statism and the demise of the individual. By transforming principled individuals, with their natural aspirations and nobilities, into a morally bereft and politically manipulated horde, the basis for our social organization and the foundations of civilization itself are systematically being destroyed. Social decadence, and all that it portends, is a problem that responsible citizens survey with justifiable apprehension.

Every form of larceny, traditionally looked upon by individuals in society and laws of arbitration as a moral violation of human property rights, is now practiced in our society with alarming violence and ever-increasing frequency. As profligate crime rapidly spreads its cancerous growth through every economic stratum of society, stolen property is often less valued than the idle diversion sadistic crime provides. Mob violence, senseless social atrocities, and larcenous crimes against men and property are multiplying to frightening proportions. This sinister abasement of human dignity, however, obviously is only a surface symptom of a far more insidious moral disease that is attacking humanity.

The socialistic planners, whose cold intelligence devised the empty, insect-like society of stereotyped human beings, view the problem of increasing immorality and social unrest as a failure of mankind to underwrite the social institutions of the new economics and thereby rise to the ethical challenge of modern civilization. But another estimate of the moral situation suggests that mankind has failed neither the new economics nor its politically defined institutions. Our immoral society, unfortunately, simply reflects the moral aberrance of socialistic government that tragically is failing humanity.

Collectivized Injustice

Socialism, like all government, formally frowns upon theft between individuals in the private sector of society as being immoral and socially unjust. But when socialism, by resolution and coercive law, attempts to provide equal distribution of unequal earnings, the questionable processes involved are considered to be not only well within the bounds of propriety but the very essence of morality and the epitome of social justice. When human rights to property legally are held in this dualistic perspective, it is most difficult for

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any citizen to make moral distinctions between private theft and the governmental plunder of private resources.

This is especially true when governmental plunder is legally instituted and artfully engineered by elected legislators whose political abilities are gauged in terms of the economic redistribution they can obtain for their constituencies. Rather than performing the traditional role of upholding private property, the law has become a respectable instrument of larceny in the hands of the people and has taken the lead in abrogating the property rights it once so nobly upheld. Larcenous crimes for ill-gotten gain, once practiced darkly in secret, have assumed the honorable guise of social justice and boldly moved to the halls of government.

The financial aspects of reckless tax-and-squander socialistic legislation and irresponsible public debt can be debated at some length and even rationalized by proponents of the new economics as being in the best fiscal interests of the nation. But, it is not difficult to understand why citizens increasingly are losing respect for unprincipled civil authority and the odious legal and political immorality that permeates our society. Law has abandoned all principles of social justice and rests upon no foundation but the authoritarian use of political power. The formerly venerated halls of government, in which the grimy business of the new morality is transacted, have become a disgraceful affrontal to every concept of human decency.

Youth Lost by Default

Tragically, the young people whose formative years of social adjustment were molded by the amorphous ethical concepts of their elders, have been especially confused by the ambiguous definitions of human rights. Consequently, they are often openly contemptuous of all conniving authority that defines and sanctimoniously makes distinctions between morality and immorality, justice and injustice, private theft and public plunder. The young people, who comprise one half of the citizenry and so provide the hope for the future, already account for a heavily disproportionate share of the private crimes against men and property. This projected trend toward moral anarchy indicates that, like so many previous and now extinct civilizations, our own society is gravely endangered by internal decay of human principles.

Civilization depends entirely upon human decency and mutual respect for the rights of men.

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Civil order is upheld, not by law, authority, and political phrasemakers as it apparently seems to be, but by the moral integrity of civilized human beings. Time will promote these confused young people to the hard core of an already morally decadent society and increasingly convert amoral attitudes toward property and the use of force to acquire it into anarchistic annihilation of all human dignity. Since politically contrived standards of social conduct and punitive reprisals historically have never been substituted successfully for principles of human association, or been able to guarantee even the minimum social requirements for civilization, our society obviously is approaching a vital philosophical crossroad.

Some Fruits of Socialism

Socialism offers no evidence, historic or otherwise, to support the fashionable contention that a politically planned economy dramatically translates into social progress and human advancement. At no time in history have there been more laws and more violence; more social legislation and more social unrest; more state welfare and more greedily dependent citizens; more pseudo-prosperity and more irresponsible debt; more political dogmas and fewer human truths; more formidable government and less ethical human relationships; more legal apparatus and less justice; more law enforcement agencies and less respectful and less cooperative citizens; more collectivism and more political corruption and social decay; and more young people with fewer principles to live by.

Socialism demands that citizens surrender all moral principles based on self-respect and become subservient to politically defined attitudes toward life and property rights. Life under socialism becomes an amoral course, artfully steered through a tortuous maze of absurd values and inconsistent moralizations where political power is the only criterion of justice. As young people appraise the long-range prospects for self-justification through decent and effective living under the socialistic system imposed by their elders, it is small wonder that frustration and disillusionment are leading to the modern concept of irresponsibly living for the moment.

As society approaches the crossroad and ponders the alternatives, however, there is reason to hope for a brighter future. While there is no question about general moral confusion among young citizens who hold the key to the future, thus far only relatively small per-

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centages have expressed their sense of futility through acts of violence, promiscuity, and sadism. Many young people retain intrinsic human values and continue to search, with little assistance from their elders, for hopeful principles of social progress.

In the philosophical struggle to reaffirm basic principles of human association – as opposed to socialized formalizations, judicial reviews, and political interpretations of hallowed words – it is well to remember that the attitudes of the young are formed by the moral influences that surround them and are forged by the examples of their elders. If our civilization is to avoid the bottomless pit of total collectivism and political self-destruction, the moral principle of private property and the closely related human right to self-justification must be supported and attested to in every facet of human association. Mutual respect for property rights will then indicate the ethical principles to follow in every human situation and insure social progress and the advancement of civilization. ◈

IDEAS ON LIBERTY

We Believe . . .

WE BELIEVE in the essential, innate dignity of the individual. This belief is the very basis of our Western culture, and of our American tradition and form of government in particular.

Our philosophy of the dignity of man – of freedom, if you will – flows from our belief in a Supreme Being. We believe that God created man – *all* men – in His image.

Accordingly we believe that there is a higher purpose in life than to serve the state. We believe that this purpose is not restricted to the material side of our lives but is first and foremost of a spiritual nature. In fact, we try to order our lives in the certain knowledge that our final destiny lies beyond the material concerns of this world.

This concept of the meaning and purpose of life is the direct opposite of the communist view. Dialectic materialism denies the Supreme Being; denies the spiritual side of man; denies any but a materialistic purpose in life.

Under communism, man is required to have blind faith in the state. He has no voice in the affairs of the state. He has no franchise as a citizen. He is not master of his own destiny. He is given or denied an education, according to the will of the state. He is ordered to work wherever the state needs him.

This is the atmosphere of a slave society. In the moral sense it is not and cannot be the same atmosphere that we have created here under freedom.

From an address, "Brotherhood Through Better Understanding" by JAMES M. ROCHE, President of General Motors

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LEONARD E. READ

The RISE and the FALL

EVEN BEFORE the discovery of gunpowder a thousand years ago, Asians were shooting rockets skyward. As the centuries passed, inventive man improved the propellants and the rockets went ever and ever higher. But until a few moments ago, reckoned in historical time, the rockets always "ran out of gas," as we say; that is, the propellants spent themselves. The rockets soared until their momentum was spent, but they eventually up-ended and returned from whence they came – to earth.

Must everything that goes up come down? The answer is affirmative provided that whatever goes up does not go beyond our earth's gravitational force. But what of a thrust that would propel the rocket into "outer space"? That's different, we discover: What goes up need not necessarily come down; it is possible for an object to remain in orbit indefinitely.

Although analogies are tricky devices, they can, on occasion, assist in bringing the mind into range of an abstruse matter that may have an important lesson to teach. So, let's see if we can apply the rocket analogy to the rise and fall of individuals, nations, civilizations.

Dean Inge inverted an old proverb and pointed out that "nothing *fails* like success." A famous prize fighter put the same idea more dramatically, "The bigger they come, the harder they fall!" But are these conclusions *necessarily* true? Now and then – not often – we observe an individual who gets himself up topside and stays there, despite the "law" that says individual failure is an inevitable aftermath of personal success.

But when it comes to nations and civilizations we look in vain for exceptions; the record is clear: what goes up has always come down! Nor is the assessing of col-

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lective rises and falls confined to the historians. Most of us, regardless of which side of the ideological fence we are on, concern ourselves with the fate of "our country" or the favorable and unfavorable trends of "America."

Individual Liberty the Key

Before recounting examples of collective rises and falls, it is well to have in mind what significantly rises and falls. The one important feature to keep the eye on is the rise and fall of individual liberty. If the rise and fall of political power and coercive dominance – liberty's opposite – were the criterion, then we would be forced to conclude that impoverished Russia has risen beyond any nation that has ever existed, an absurd deduction.

Detecting the general rise and fall of liberty in a nation does not require that we examine the record person by person. It can be easily spotted by merely observing where liberty's concomitant – general well-being, economic as well as cultural – has risen or fallen. Anywhere such well-being is increasing, there we know that freedom also is increasing.

The undulations of city-states, nations, civilizations began more than 6,000 years ago with the rise of Sumer. It fell so flat and its cities became so deeply embedded in the desert sands that historians knew nothing of it for the past 2,000 years – not until archeologists made some accidental discoveries about a century ago. And only during the past twenty years has anyone been able to decipher their cuneiform characters and, thus, to learn about the remarkable achievements of the Sumerians.[1]

Egypt had her heyday.

There was the rise and fall of Carthage.

Edith Hamilton writes, "A new civilization had arisen in Athens, unlike all that had gone before."[2]

Parenthetically, so important was Athens that many of the world's people are said to be part Greek. And, without question, all civilizations have contributed to our individual inheritance.

But Athens joined the growing list of failures; she fell from her pre-eminence.

Gibbon left us a notable record of the decline and fall of the Roman Empire.

After Rome was added to the scrap heap, we witness the rise and fall of Kiev, Venice, Amsterdam, and a host of other cultures,

[1] Samuel Noah Kramer, *From the Tablets of Sumer* (Indian Hills, Colorado: The Falcon's Wing Press, 1956), 293 pp.

[2] Edith Hamilton, *The Greek Way* (New York: W. W. Norton, 1964), 212 pp.

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including the mighty British Empire. Nowhere at any time can we find an exception to this rise-and-fall pattern.

And there is a good deal of well-founded suspicion that the U.S.A. – the mightiest of them all in individual liberty and over-all well-being – has lost her thrust and is proceeding upward largely on momentum, that fateful interlude before up-ending and plunging downward into the historical has-beens.

Is this suspicion unwarranted? Will our nation be the exception to this evolution-devolution cavalcade? Can we expect the U.S.A. to break this monotony, to prove the fallacy of this cyclical theory of history? Have we the orbital secret? Or will "the bigger they come, the harder they fall" apply to our political economy as it has to the others? Assume there are grounds for this suspicion. Is there something, even at this late stage, that can be done about it?

Facing the Problem

Christianity answers this question affirmatively – man can transcend himself and break with the past – and thus this belief has been the unique promise of Western civilization. Of three points I feel certain: (1) these ups and downs of city-states, nations, civilizations are Heaven's or Nature's or Evolution's diagrams, presented over and over again, writ bold and enormously large, that all but the blind may see them; (2) we must observe, study, and learn the lessons they teach; and (3) the up-ending in the case of our country is not *necessarily* inevitable; the question is, can we intellectually meet the challenge that is unique to our times and situation? As Demosthenes declared long ago, "The time for extracting a lesson from history is ever at hand for those who are wise." Up-ending or not depends entirely on the amount of wisdom that can be brought to bear!

Getting topside is one thing; staying there is quite something else. Nor is it too difficult to see why. Reflect on our Pilgrim Fathers and other newcomers who followed. Theirs was, as we well know, a case of "root hog, or die." But their plight, as similar plights the world over, bore the seeds for its alleviation: no way to go but up. Overcoming obstacles flexes the faculties and makes for strength; there is a common desire to achieve; self-reliance flowers, induced by having nothing else to rely upon; inventiveness is mothered by necessity; there is a spread of such survival virtues as thrift and honesty. There were other seminal or originative drives which, *in certain favorable conditions*, put poverty in the

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background and led, eventually, to a state of material and cultural well-being.

A part of the explanation — "the certain favorable conditions" — as to why these seminal drives brought results superior to those previously and elsewhere experienced was that, beginning with the late eighteenth century, several economic facts of life were discovered and extensively practiced: specialization, freedom in transactions, and the free market or marginal utility theory of value. But even more basic and fundamental was the unprecedented limitation placed on coercive political power, that is, the removal of restraints resulting in the freeing or releasing of creative energy. This felicitous windfall stemmed from the concept that man's rights are an endowment of the Creator and not the state, a concept explicitly stated in the Declaration of Independence and fortified by the Constitution and the Bill of Rights: the spiritual antecedent of the American miracle!

Yes, the U.S.A., relative to all previous instances, made it topside. But staying in this position demands an art never yet acquired in human experience. Consider the seminal drives that put us there. Up is no longer the sole direction; down has been added and is easier, requiring no more in the way of virtues than nothing; just letting yourself go, as we phrase it.

Affluent people have no material obstacles to overcome. Strength and toughness tend to weaken or atrophy in the absence of exercise. Thrift becomes "old hat," and what more is there to achieve when one believes he has it made? Necessity is turned off as a generator of creative activity.

To top it off, "the certain favorable conditions" have decreased as material well-being has increased, playing havoc with the most powerful seminal drive of all: self-reliance. Getting to the root of it, the idea that rights are an endowment of the Creator has become old-fashioned; the state as god has been substituted for God! And this shift in fundamental concepts has witnessed, as we might expect, a removal of constitutional barriers against state power. Self-reliance, in these circumstances, gives way to a reliance on omnipotent government.

That the seminal or originative drives — Nature's handmaidens — which put us where we are have all but spent themselves seems evident enough. And short of a wisdom wholly new to human evolution, we'll discover that we're not in orbit; that an up-ending is upon us; and that the U.S.A. is

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just another in the evolution-devolution pattern, that is, one more diagram writ bold as a lesson for some future and, may we hope, wiser people.

But why should *we* not be the wiser people? To do the best we can in expanding our awareness, perception, consciousness – intelligence – is what's expected of us; it's clearly man's destiny. Why wait for some future people? Thousands of Americans with minds potentially up to the task are among us. Realization of potentialities is thwarted only by a multitude of distractions, trivia that any such person can easily detect for himself. The time and energy all of us fritter away – our inattention to the really important matters of life – is appalling.

What is the wisdom required to avert an up-ending? I do not know; you do not know; no one knows![3] Therein is to be found my point. Looking for salvation, the wisdom in others or in organizations and institutions has no more promise than is to be found in political parties. It is this very looking elsewhere, this shiftless, disastrous, let-George-do-it proclivity that draws an absolute blank. How can there be any wisdom in any one of us when everyone is looking for it in someone else?

The Task Is Ours

The first fact to keep in mind is that all wisdom has its origin and manifests itself through discrete individuals and, insofar as you and I are concerned, only through you and me. Next, is to understand that whatever shows forth from either of us, regardless of how intelligently and diligently we labor at the task, can be no more than tiny fragments of light or enlightenment. And last is to entertain the conviction that only in a proliferation of the search for Truth – on the part of *everyone* who has the potentiality for abstract thought and the capability to think things through – can individual fragments of wisdom add up to a sum total sufficiently large to avert another historical up-ending.

This, in my view, is the lesson the bold diagrams have to teach. They seem to decree that settlement for anything less than our best is out of the question: that's the price; take it or leave it; no higgling and haggling. If we fail to get the message, there'll be a people, eventually, who will.

The fret is, of course, that while

[3] The best outline I have been able to contrive of the areas where understanding must be sought is the chapter, "The Human Situation," in *Deeper Than You Think* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1967), pp. 28-44.

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you and I may do our best – will anyone else? Will everyone who is capable of this type of thinking? It doesn't seem likely, but it must be remembered that neither you nor I see very far.

The message of history's rise-and-fall sequence, given to us over and over again, is, indeed, writ bold. But some of the message is in fine print. The little I can read of it runs somewhat as follows:

• *The only way for an individual to inspire others to do their best is to do his own level best.*

• *The rise and fall of the quality of individual lives account for the rise and fall of city-states, nations, civilizations.*

• *When selecting teachers for self, or children, or for one's fellow countrymen, be certain that the teachers are students themselves. No one can aid others in their improvement who is not experiencing self-improvement.*

• *Be skeptical of all programs promising to improve the lot of mankind that do not begin with your own improvement.*

• *Do not be misled by the cliché, "Self-improvement is fine but it's too slow; time is running out." The only concern an individual should have about time is his own husbandry of it.*

• *He who favors liberty would never think of master-minding the good society. Then let him not try to plan the rearrangement of a bad society. He is as incapable of the latter as the former. True practicality consists in each man probing for Truth and upholding what is revealed to him. A good society emerges only from countless, individual stands for righteousness.*

True, the message is writ bold but, then, there is the fine print which gets ever finer and increasingly more difficult to read as one proceeds. Nonetheless, it ungrudgingly yields to all who are worthy and reveals an ever deeper wisdom in response to devout and persistent probing. And, assuredly, somewhere in the dim recesses of the message is to be found that wisdom which will make it possible for man to transcend himself, to break with his past, and to upset the monotonous rhythm of the rise and the fall.

If we will aim at our own fulfillment, we can confidently leave the masterminding of nations, civilizations, and the world to the Creator. Ortega read rather far into the fine print and there was revealed to him what the personal dividend is: "Every living creature is happy when he fulfills his destiny, that is, *when he realizes himself*, when he is being that which in truth he is." ◈

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Creators of Wealth

HARRY LEE SMITH

KARL MARX, whose politico-economic doctrines rule the lives of more than a billion persons and profoundly influence the rest of the world today, deemed labor the source of all production and gave short shrift to such factors as capital and management. But we know now that Marx was wrong, that the plodding effort of labor alone consumes nearly all the wealth it produces, and that all significant creations of new wealth may be traced to the courage, vision, intelligence, and organizational skills of the entrepreneur.

From an economic point of view, an isolated individual is inefficient. In a pastoral society, without tools and without trade, he barely wrests a living from the soil and is constantly at the mercy of the slightest change in weather or circumstances. Possibly a third of the world's people live this way today.

The miracle of a high standard of living comes through efficient economic interchange, which in turn depends upon organization and tools. Tools can only be financed through savings. However, savings have no economic value until they become capital, channeled into useful paths. When properly invested for appropriate combination with labor – for job opportunities – this capital creates new wealth. The free or voluntary organization required for this process is provided by human catalysts known as entrepreneurs. These enterprising and self-motivated individuals find fulfillment by creating financial institutions, starting industrial complexes, organizing commercial outlets, building transportation arteries, and providing other organizational essentials for a high level of human economic intercourse.

The basic resources used by an entrepreneur are manpower, materials, machinery, markets, money, and real estate. The proper combination of resources yields profit and wealth. Improper combinations result in waste and loss.

Mr. Smith is a businessman in California.

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To cite a simple example, if a million dollar's worth of manpower is combined with a million dollar's worth of building materials to make a structure worth $2,500,000 in the market, then wealth has been created. Were the building to be worth less than $2,000,000, then assets would have been combined to destroy wealth. Thus, contrary to popular belief, wealth can be destroyed even while building.

Recombination of Resources

The entrepreneur relies upon the value of economic resources as determined by the free market. His role is to so anticipate demand and to combine available resources in such a way as to maximize the spread between their costs and the market price of his product or service. The greater the spread, the greater the creation of wealth. This recombining productive process hurts no consumer or laborer or other owner of resources, since *it brings to the market more than is taken from it.* High profits, derived from efficient service to others, benefit the stockholder, the entrepreneur, and the economy in general while injuring no one.

Resource combinations which produce losses, however, are a net drain from the market. If anyone benefits from such combinations, it is at the expense of others. Free market values are the only "fair" values, and high profits are a measure of good management and efficient service rather than greed. When wealth is created without coercion, it is not taken from any other owner; it is literally *created* and never existed before.

The successful entrepreneur is a genius as rare in his field as is the outstanding painter in the field of art, or the brilliant author in the field of letters. In addition to intelligence, the entrepreneur must have courage, persuasiveness, perseverance, perspicacity, self-reliance, and a "feel" for business. Pulled and driven by an inner force, as is a genius in any field, he is willing to work long and hard to accomplish his ends. Wealth, to him is a necessary business factor, a measuring stick, a reward for his efforts, but seldom his only goal. He continually seeks ever greater responsibility, and welcomes the pressure of strong competition in the business arena.

Professional jealousy is characteristic of artists, authors, actors, and all other specialists tainted by human nature. Their common denominator is a degree of participation in the economic field. Some wealth is necessary for survival. Consequently, jealousy of the successful creator of wealth is intense and pervasive, generally evidenced as a suspicion that vast wealth can only be created dishonestly or at

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the expense of others. It is said that a little larceny lies in the hearts of most people and that the businessman is no exception. Indeed, a single act of larceny by one businessman casts suspicion upon *all* business dealings and leads to the conviction that the entire wealth-producing process requires political control. Few are the politicians who would deny it.

In a sense, the successful politician has much in common with the enterprising businessman. He too has courage, persuasiveness, intelligence, and a driving competitive spirit. However, he seldom possesses the ability to create wealth either for himself or for the numerous humanitarian projects which are his stock in trade. In his frustration, he advocates government-owned enterprises, with capital raised coercively through taxation. Such enterprises invariably suffer losses; yet, a clever politician will persuade his constituents that, far from interfering with the wealth-creating process, he is actually the balance wheel responsible for its success. Thus, he poses as protector of the public interest against the "abuses" of free enterprise. And when he crusades against profiteering, it is likely that neither he nor his constituency realizes that he is actually opposing economic efficiency and better living standards.

Many otherwise intelligent persons attribute their entrepreneurial failures to lack of capital. But successful entrepreneurs often start without capital. Financing involves fairly orthodox methods. More important to entrepreneurial success is the willingness to charge enthusiastically into the competitive arena alone and unaided. This can be such a frightening and frustrating experience that the first failure, or thought of it, will drive most men to the shelter of steady employment or academic tenure. The entrepreneur must be made of sturdier stuff.

Private versus Governmental

The political doctrine is false that the self-activated and self-responsible entrepreneur can be replaced in part or in whole by the state. Government attempts to compete in the business field invariably lose money and destroy part of the wealth already created. This is measured in the United States by the billions of dollars voted yearly in Congress to cover governmental losses in such fields as real estate, finance, insurance, utilities, agriculture, and industry.

The entrepreneur starts with nothing but an idea. "If you can dream it, you can do it," is his motto. Like the struggling artist, he works in a field where enthusiasm and dogged determination

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play a greater role than formal education. He enlists capital through his persuasive powers, draws upon other economic resources, adds such spiritual qualities as faith and fortitude and self-reliance, and perseveres until successful. This sort of effort produces the greatest return on investment – as well as the greatest risk of loss. The mortality rate is high for new business ventures and new products.

From the date of its birth, the tendency of a given enterprise is toward ever greater conservatism. The security of success attracts additional capital, but from more cautious investors. The dynamic leadership of the original entrepreneur gives way to professional management. The spark of creativity diminishes into the nine-to-five effort of the paid executive and profits tend toward standard for the industry. Thus do entrepreneurial dreams mature.

What, then, shall be said of government-run enterprise? Here, funds taxed from those powerless to resist are devoted to purposes for which customers have shown an unwillingness to pay, under management motivated by tenure in the Civil Service. Lacking is the lure of profit or fear of loss which make for efficiency rather than waste; nor is managerial performance held up to public scrutiny as in the stock exchange. Converting scarce resources to the service of unwilling customers is a thankless and unprofitable venture, characteristic of governmental enterprise. It consumes rather than creates wealth.

New wealth created by entrepreneurial effort is the result of economic efficiency. It benefits society in general by providing new enterprise, new services, new products, new employment, new tools, and further capital formation. Such wealth belongs to its creator and those who backed him with risk capital.

Failure to understand the nature, the source, and the purpose of wealth results in attempts to redistribute it through graduated taxation and other devices. But the taking of wealth without the consent of the creator or rightful owner is wasteful and destructive and harmful to society.

Those unwilling to stand the strain of hard work, risk, self-responsibility, and universal envy should not aspire to the creation and management of wealth. Their greater happiness is to be found in some other less strenuous role in the economic order. They may be thankful for the high standard of living afforded by new wealth in a free economy, and watch with admiration and appreciation the bold adventures of the entrepreneurial spirit. ◈

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Economic Development of Emerging Nations

EDWARD P. COLESON

Dr. Coleson is Professor of Economics at Spring Arbor College in Michigan. This article, drawn in part from his personal experiences in West Africa, is from a lecture by Dr. Coleson at Northwood Institute, Midland, Michigan.

THE PLIGHT of the peoples of the underdeveloped countries of the world, long a chronic problem, is rapidly approaching a state of crisis. India is in the grip of another famine, said to be the worst in the last century. According to a recent estimate, 96 million Indians may starve this year, a number equal to almost half the total U.S. population.[1] Obviously, no one can really know how many people die in the villages of India, China, Africa, or some other backward area because of malnutrition and actual starvation. In any case, there are more than enough perishing thus.

Certainly, widespread hunger is potential dynamite in a world which is already politically unstable. Napoleon once called China a sleeping giant and suggested further that they be allowed to sleep on. Perhaps it would have been better for us if they had, but it is too late now to suggest such a solution to our problems. Furthermore, we must remember that times have changed; it is no longer possible for a handful of Europeans with superior weapons to defeat a multitude of "natives" fighting with sticks and stones. Today, the natives contrive to have very nearly as good weapons as anyone else; and if they have

[1] Nancy Hardesty, "India's Famine," *Eternity* (January, 1967), p. 16.

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more enthusiasm for "dying for the cause" than the rest of us, their very numbers may make them a formidable threat. In any case, we are "involved in mankind" whether we want to be or not; our own safety may require attention to other people's problems, even if we cannot think of any more humanitarian reasons for our global concerns.

The Need for Definite Answers

Yes, Americans can hardly be accused of being indifferent to human need. Since World War II we have showered the world, backward or otherwise, with more than $150 billion of foreign aid, and we are continually being reminded that this isn't enough. Actually, it has been too much of such as it is but not nearly enough to do the job.

Many loyal Americans are clamoring that we ought to close out the global give-away, lest it bankrupt us. With greater domestic debts than all our international beneficiaries combined, any rational person might well question the wisdom of giving away what we simply don't have. However, terminating foreign aid would make little difference with our own solvency and would be branded as an utterly heartless thing to do in a starving world. What those who object to our unsound practices ought to do is devise a better program, one which would accomplish vastly more, would avoid graft and corruption, would not pauperize the recipients, and would pay its way in the bargain.

Utopian, you say, but it has been done and it worked well for years. What I am describing is simply the international investment program of Britain in the latter part of the last century. To call it a "program" is somewhat misleading, however, because for the most part it was simply a case of English businessmen investing their own money in what they hoped would be profitable ventures around the world.

Britain's Free Trade Era Proved Marx Wrong

Britain's economic policy got the world out of a tight spot a hundred years ago. At the beginning of the nineteenth century Malthus saw nothing in the future but overpopulation and short rations, with famine, pestilence, and war keeping human numbers within tolerable limits. Britain's dramatic shift to a policy of free trade a little more than a century ago did much to encourage economic development throughout the world and made Malthus' gloomy predictions seem quite unrealistic by 1900. They had a population

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explosion back then also, but with a multitude of people around the world producing all they could with improved tools in a world of relatively open markets, living standards rose faster than human numbers. It should be noted also that Europe enjoyed comparative peace, at least the absence of great wars, from 1815 to 1914, which may be more than coincidental.

Free enterprise with open markets has been overlooked as a means of promoting economic development in a context of peace and friendly cooperation even by those who presumably believe in personal freedom. Marx's claim that capitalism leads to war and almost universal destitution does not stand close inspection, although the doctrine is widely believed. Prosperity and general well-being are fringe benefits of freedom, although I, with Patrick Henry, would choose liberty if there were no material advantages in so doing. Furthermore, the blessings of political and economic freedom have also been available to the so-called backward nations on the same terms as to everyone else. While human numbers cannot continue to rise without limit, much that is blamed on overpopulation in today's world is the result of unwise and restrictive economic policies.

Neglected Aspects of the Population Problem

Americans panic at the thought of the population explosion, which many of my fellow countrymen regard a greater threat than the bomb. We are endlessly preoccupied with the problem and view the "teeming millions of Asia" with a mixture of pity and fear. We overlook the fact that Switzerland has almost the same population density per square mile as India, and Western Germany has about twice as many per unit of area. Yet no one moans over the "teeming millions" of Western Europe where countries like Belgium, Holland, and England also have two or three times India's population per square mile. While India has its limitations, surely Switzerland's handicaps are as great.

Certainly excessive population has been much overworked as an explanation for India's woes. Unfortunately, also, our attempts to rescue India seem only to have aggravated the situation. Our foreign aid, given to feed starving orphans and keep the country from going communist, is, according to Sudha R. Shenoy of India,

> ". . . one major cause why orphans . . . are starving and why India is now so firmly set down the road to serfdom. This is because in India foreign aid provides the major por-

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tion of finance for the Plans . . . (but) the Indian people are hungrier after three Plans than they were before."[2]

In a different sort of world India's "teeming millions" could be an asset. If the nations of the world played the game fairly, if governments were stable and refrained from imposing endless economic restrictions, if international trade were unhampered, if ordinary people were diligent and responsible, then men with investment capital would flock to India or any such backward country and development would be as spectacular as Germany's "economic miracle" after World War II under much less favorable circumstances. But, as Sir Winston Churchill commented in another context, "The terrible if's accumulate." In reality India's economy is snarled in red tape, her people are hungry and getting hungrier. Tragically, the situation will no doubt get worse before it gets better.

The Roots of Backwardness

While the failure of the Monsoon rains of India would lead to grave problems, just as our "Dust Bowl" of the 1930's seriously disrupted life in the stricken area, still the so-called backward areas of the world have built-in limitations that keep their populations perpetually on the brink of starvation where any crop failure must lead to disaster. Europe used to have them, too, the last serious one outside the Soviet Union being the catastrophic Irish Potato Famine of 1846. To a peasant people with no reserves, any natural calamity such as a drought, too much rain, or an early frost must lead to a winter of want, if not actual starvation.

With us it is now different. We have all heard farmers remark in the last generation or two that a killing frost, for instance, has its bright side since the price would be better for whatever crops did survive. Even the disastrous dust storms of the Depression years did not lead to widespread famine with hordes of people dying by the roadside in Kansas or Oklahoma as they do in India or China. I doubt if very many people starved in America back then, even with total crop failure in the midst of the world's greatest depression. I know some people were malnourished then, and I didn't have to read this out of a book.

But this was exceptional with us – life at its worst. Out in West Africa a "hungry season" is a normal and regular feature of the yearly cycle just as tulip time in the spring or falling leaves in

[2] Sudha R. Shenoy, "The Coming Serfdom in India" THE FREEMAN (December, 1966), p. 39.

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autumn are familiar signs of the times with us. The hungry season comes after the crops are planted when the remaining rice or corn gives out weeks before the new harvest. Then the chronic problem of hunger becomes acute and famine makes its annual visit to the village.

Wrong First Impressions

Now it would be easy for us, particularly those of us with a farm background, to quickly diagnose their difficulties if we were there and could walk out from the villages to the little patches of cultivation which are their farms. We would no doubt see in the short-handled West African hoe the source of the problem of inadequate yields, and we would prescribe massive doses of mechanization to get the people producing enough so that there would be abundance for all throughout the year with a surplus for market and export. We would be sure that tractors and power tools would quickly solve the problem of native nutrition.

But if we stayed around long enough to get acquainted, we would find that the people could probably grow enough with the tools and crops they now have to tide them over the annual hungry season, if they would just try a little harder. Ask the average villager why he doesn't plant a little more rice and he will answer that it isn't any use. You will then learn that the native social system makes accumulation impossible; if his relatives learn that he has a little surplus when the hungry season comes, they will pay him a friendly visit and it will be gone within a week. They will then go hungry together.

Since there is no use to try, few do; but this results in hopeless stagnation. This is usually blamed on the warm climate; but the natives of Alaska react in the same fashion for the same reason, although the cooler climate and the certainty of winter storms should promote diligence and frugality. Yet the natives of the northland in this invigorating environment won't even cut a little piece of wood ahead, because they know they'll have to "lend" it to the neighbors before they get around to burning it themselves. Therefore, there's no surplus and no progress. This backwardness we have long blamed on the climate. It is climate – the social climate.

As a further deterrent, should some handy soul still try to get ahead, the native legal code forbids progress. In West Africa, at least, prosperity is associated in the native mind with magic. To them anyone who gives evidence of doing a little better financially

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than his neighbor must have the charm that insures success, a powerful "medicine" which benefits him but harms his neighbors accordingly. As soon as some calamity befalls them, they make a scapegoat of their prosperous neighbor. They prosecute him in the chief's court and continue action against him until he is reduced to the same dead level of poverty with everyone else. They cannot imagine that anyone can get ahead except by harming his fellows, so they try to see that this never happens. Most of the time they succeed, which keeps the country hopelessly backward.

Thus, most of the world has stagnated throughout recorded history with here and there a remarkable period of progress, the exception to the rule. Here in the West we have been part of one of those dramatic eras, the much maligned Industrial Revolution. All of us are immeasurably better off because of the diligence, thrift, and ingenuity of our fathers. It remains to be seen if we can continue what they started.

"Ideas Have Consequences"

It is hard for us to imagine the depths of poverty which are commonplace in the villages of West Africa and throughout too much of the world. We visit a native hut and find it almost utterly bare of furnishings. An iron pot set on three stones is the kitchen and the meal is eaten directly from it without dishes or silverware. The wardrobe may be a single garment which serves both day and night.

The poverty of West Africa as I knew it, is not the consequence of some horrible landlord system as it may be elsewhere. There is so little in Sierra Leone because they produce so little. The soil is wretchedly poor as it is throughout much of the tropical world, the hills are seriously eroded, most of the forest cover has been degraded into worthless second-growth brush, farming techniques are utterly primitive, yields are pitifully small, and hence famines come often.

The natives are full of parasites which sap most of their energy and the social system discourages effort. Native crafts are primitive and unproductive. My next door neighbor in one of the villages was a weaver who wove a band of cloth about six inches wide on his crude loom. His cloth was expensive even by our standards although he earned only a pittance, like everyone else in the village.

Nor is there a simple Marxian solution to their problem. Perhaps things were not properly divided in their society – the chief of the village had 80 wives – but redistributing the wealth, except the

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wives, would be pointless. By our standards there is nothing to divide.

What they clearly need in West Africa and around the world is increased productivity, and this means better tools and techniques. But first there must be a change in people's thinking to make this possible. Marx claimed that tools came first and new thought patterns grew up to conform to the improved means of production. Actually, a wee bit of freedom made the new equipment possible in the first place.

Watt had his opportunity which developed into a practical steam engine only because the University of Glasgow took him in after the city fathers refused to let him set up shop within their jurisdiction. The sewing machine was invented in France but passed out of use when eighty machines were destroyed by an angry mob. It was invented again like many other devices, in this case over here with no other advantage than the freedom to do it and perfect it to the point that the machine became practical. In England Arkwright's textile mills were burned and a less persistent and courageous man would have given up the struggle. With all the engineering problems involved, the greatest hurdle was still finding the opportunity to make the invention and bring it into production.

Marx was clearly wrong: in the beginning was the thought – the conviction that freedom was possible and desirable. New tools and industrial techniques were but the by-products of the new outlook. In all fairness it should be allowed that improved means of production had an impact upon man himself. Sir Winston Churchill is said to have remarked that we shape our buildings and then they shape us. Churchill's assertion is sounder social theory than the crude determinism of Marx and others who make man a victim of his environment, economic, social, or geographic. We are still the masters of our destiny, even in this age of automation and the bomb.

What We Can Do

It might appear from my description of the West African social order that nothing can be done for the people. Actually, of course, there has been progress there in spite of handicaps and limitations, and change is the order of the day. As a first step we need to recognize what we can do to help them move forward and what they must do themselves – because we have no right to impose our ideas, however right, upon them. I would not go

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to India with a deer rifle and start shooting sacred cows, although I happen to think that India will not get very far with a solution to her problems until they develop a rational policy on keeping livestock. I would be quite within my right in trying to enlighten the Hindus so they would eventually make such changes themselves. One of the most pressing needs of these poverty-stricken countries is something which would cost nothing but would pay real dividends.

My brother, who spent several years in India and West Africa as a missionary, believes that the most serious economic handicap of these backward areas is the utter lack of elementary honesty among the people. They are poor because they are thieves, not the reverse. This appalling plague of graft and corruption permeates every aspect of life from government and business down to petty personal relationships. Bars are standard equipment on the windows of homes out there and a night watchman is a necessity for even a private dwelling. The problem of trying to hang on to one's own possessions becomes insurmountable. Certainly they will never make real progress until they learn to respect other people's property rights. This is a necessary and possible change.

It is fashionable today for anthropologists and sociologists to speak disparagingly of the accomplishments of missionaries, but they have made a very real contribution. Charles Darwin who knew conditions in the South Sea Islands exceedingly well speaks highly of the change brought about by their effort:

> They [critics] expect the missionaries to effect that which the Apostles themselves failed to do. Inasmuch as the condition of the people falls short of this high standard, blame is attached to the missionary. . . . They forget, or will not remember, that human sacrifices, . . . infanticide, . . . [and] bloody wars . . . have been abolished; and that dishonesty, intemperance, and licentiousness have been greatly reduced by the introduction of Christianity. In a voyager to forget these things is base ingratitude; for should he chance to be at the point of shipwreck on some unknown coast, he will most devoutly pray that the lesson of the missionary may have extended thus far.[3]

The Importance of Character

There is a closer connection between character and progress than we realize. It is commonly assumed that capitalists invented greed but Max Weber points out

[3] Charles Darwin, *Voyage of the Beagle* (Harvard Classics, Vol. 29), pp. 437-438.

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that it is precisely in those countries which are most backward from a capitalist point of view that the "universal reign of absolute unscrupulousness in the pursuit of selfish interests" is most highly developed – where one finds it almost impossible to hang on to his property because thieves and rogues work overtime trying to wrest it from its rightful owner.[4] As Weber tells us, the willingness to respect the rights of others, to play the game fairly as one might say, is a necessary condition for economic development.

Weber also stresses the fact that Luther and Calvin preached the dignity of labor, the responsibility of the worker to do his best as unto God. In all the backward areas of the world today work is contemptible, something to be done by slaves who cannot get out of it. This attitude toward labor must change before any very real progress is possible. And it seems to me that work is going out of fashion here, too. Evidently we need a revival of the Puritan virtues of honesty, diligence, frugality, and responsibility as part of a renaissance in our own nation also. Then we could offer the sort of leadership other nations might like to follow.

[4] Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, pp. 58 and 108.

Today's "Complex Problems" and Reality

Actually, those staggering problems we moan about continually are mostly symptoms of a larger disorder. Let us examine a few of the conspicuous ones. Our much-publicized Malthusian dilemma, the population explosion, is a case in point. According to L. Dudley Stamp, perhaps the world's foremost geographer, the world could easily support 10 billion people or three times the present total.[5] He is assuming full production and open markets, but no revolutionary techniques yet untried and unproven – just doing as well as we already know or can know.

Adequate nutrition means increased human energy, which could result in higher productivity to provide a decent standard of living for the human family. Improved nutrition also means better health. While the tropical lands have some special problems which are uniquely theirs, the health hazards of the tropics have been exaggerated, too. Adam Smith remarked in *The Wealth of Nations* that it was "not uncommon . . . in the Highlands of Scotland for a mother who has borne twenty children not to have two alive." Nor were mortality figures more moderate here in earlier times. We

[5] L. Dudley Stamp, *Land for Tomorrow*, p. 219.

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have all heard of the appalling losses from fever that frustrated the attempts to build the Panama Canal. We do not know that the builders of the Erie-Wabash Canal through northern Indiana lost a laborer for every six feet of canal dug.[6] We have also forgotten that Michigan was notorious for malaria in the early days as this pioneer rhyme reminds us:

> Don't go to Michigan, that land of ills;
> The word means ague, fever and chills.[7]

Michigan also shares the misfortune with most tropical lands of having much poor soil. Contrary to popular opinion in America, tropical soils are usually infertile. This makes problems. But other lands have triumphed over this limitation. The Scandinavian countries have done very well indeed in spite of their poor, sandy soils. Perhaps the leading authority on the tropics, Pierre Gourou, has urged that the Africans and others could solve their problems by growing tree crops on the eroded hillsides and rice in the largely unused paddy lands along the streams.[8] With such a rational program of land use, Africa would be well able to support its population for some while.

It would be possible to go on with constructive suggestions, based not on utopian optimism but on what has been proven in practice. Today's global crisis is but the bankruptcy of unwise policies we have been pursuing too long. But it is not enough to loudly criticize unsound practices such as foreign aid and the farm program. Men of good will have the responsibility of knowing what else we might have done, of being aware of constructive alternatives.

Testimony to Freedom

One of the greatest sources of inspiration as well as information for the serious student is the economic history of Great Britain in the latter half of the nineteenth century, the golden age of free enterprise and open markets. And, strangely, unusual people bear testimony to the accomplishments of this great era. Lord Keynes, the British godfather of the New Deal of the 1930's, described this period in even more glowing terms than I would.[9] He tells us that in this

[6] DeWitt Goodrich and Charles Tuttle, *An Illustrated History of the State of Indiana*, p. 209.

[7] Madge E. Pickard and R. Carlyle Buley, *The Midwest Pioneer: His Ills, Cures and Doctors*, p. 13.

[8] Pierre Gourou, *The Tropical World*, pp. 100-103 and 134-141.

[9] John Maynard Keynes, *The Economic Consequences of the Peace*, pp. 7-10.

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"economic Eldorado, in this economic Utopia" men forgot about Malthus and population problems in a world of full production and open markets. Keynes makes interesting reading. Poles apart from him is Benjamin M. Anderson, an American economist who has covered the history of the first half of this century in great detail. He introduces his excellent *Economics and the Public Welfare* with high praise for the pre-World War I era so eloquently lauded by Lord Keynes. This is how a conservative characterizes the same period:

> There was a sense of security then which has never since existed. Progress was generally taken for granted . . . decade after decade had seen increasing political freedom. . . . It was an era of good faith. Men believed in promises . . . the good faith of governments and central banks was taken for granted. Governments and central banks were not always able to keep their promises, but when this happened they were ashamed. . . . No country took pride in debasing its currency as a clever financial expedient.
>
> The world was incredibly shocked in 1914 when Bethmann-Hollweg, Chancellor of Germany, characterized the treaty guaranteeing the neutrality of Belgium as a "scrap of paper." In retrospect, one may say that this was one of the most terrible things that has ever been said. The world is full of scraps of paper. . . . The greatest and most important task of the next few decades must be to rebuild the shattered fabric of national and international good faith. Men and nations must learn to trust one another. . . . There is no certainty that we can recreate the fabric of good faith which we have destroyed, but there is no higher duty than to make the effort.[10]

Prospects for Improvement

While there is no certainty of success, it seems to me that conditions are more favorable for a renaissance of right thinking and sound policy than they have been for many a year. Hegel insisted that a situation generates its opposite, the familiar "swing of the pendulum," and it seems to me that this is true in general, although Hegel and his disciples sometimes carried his theory to absurd lengths. Nevertheless, the world is due for a change. As Newton would say, "to every action there is an opposite and equal reaction." Even the best and most constructive movements lose their charm and go out of fashion. "There is a tide in the affairs of men" and "the old order changes, yielding place to new," as the poets say.

[10] Benjamin McAlester Anderson, *Economics and the Public Welfare* (Princeton, N. J.: D. Van Nostrand, 1949), pp. 3-5.

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This gospel of Salvation according to Marx has promised much but has delivered little except starvation and oppression. A good many people who will never read Hayek's *Road to Serfdom* have known the terror firsthand or have seen people shot while trying to escape from the proletarian paradise. The world has been learning its economic and political theory the hard way. Not all is well in our welfare state either. In 1946 Keynes himself voiced disillusionment with the "new economics" he had helped to create in the depression years only a decade earlier: ". . . how much modernist stuff, gone wrong and turned sour and silly, is circulating in our system. . . ."[11]

It would be interesting to know what Lord Keynes would say today, had he lived. But a good many people who have not yet heard of Keynes and have no idea how this attempt to maintain perpetual prosperity is supposed to operate are becoming increasingly aware that something is wrong somewhere. This failure of the managed economy on both sides of the Curtain gives us an opportunity we have not had for a long, long time. But this opportunity brings us the responsibility of being able to present a constructive alternative. May I recommend what Adam Smith called ". . . the obvious and simple system of natural liberty. . . ."[12] for in a context of freedom, progress would again be possible around the world. ◈

[11] J. M. Keynes, "The Balance of Payments of the United States," *Economic Journal* (June 1946), p. 186.

[12] Adam Smith, *The Wealth of Nations*, (Modern Library edition), p. 651.

IDEAS ON LIBERTY

Dangerous Experimentation

ONLY IF we understand why and how certain kinds of economic controls tend to paralyze the driving forces of a free society, and which kinds of measures are particularly dangerous in this respect, can we hope that social experimentation will not lead us into situations none of us want.

F. A. HAYEK

From the Foreword to the 1957 edition of The Road of Serfdom

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VOICES BEHIND YOU

RANDALL E. BURCHETT

TWO AND A HALF centuries ago a very wise old prophet spoke these words: "Your ears shall hear a word behind you saying: This is the way, walk in it." The adjuration is like a flawless diamond with rays of truth flashing out in many directions to invite serious thought.

As any and every individual attains a new milestone in life, he can be aware that he is seeing the dawning of a new day that is his very own, and he may realize, though dimly, that behind him there have been many voices which have spoken to him. The words he has heard most clearly were given that clarity, of course, by his own attitudes; and the results are his own inescapable responsibility. Some of those words or voices would help him and some would hinder, but all have influenced him to some degree.

At each milestone of one's life, as at the time of a student's graduation, it behooves him to pause and listen. The graduate is perhaps most aware of the voices of his recent instructors. The work and effort and training of these teachers have crystallized into words which were intended to assist each student as he moved onward to walk in the path he chose for his future. In the days ahead he will remember the collective voice of those instructors as they said to him, in effect: "This is the way, walk in it."

He reaches a further stage in that great adventure known as Life, and he consults those who are experienced in science or agri-

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culture or other fields of endeavor. Axioms related to the field of his inquiry will be suggested; and as he goes on he will remember those voices he must leave behind.

Among the voices will be that of the family physician who pointed out the way of a healthy body and mind and said to him: "This is the way, walk in it."

The voice of his rabbi, priest, or minister emphasized to him the importance of belief in the Divine Creator and, without equivocation, that voice spoke clearly: "This is the way, walk in it."

Again and again the voices of his parents gently but firmly said to him: "This is the way, walk in it," and patiently directed the way his feet should go.

Nor should one forget or neglect the voices of the ancients who spoke so eloquently concerning many facets of life. New experiences are ahead, and one's feet must walk in unfamiliar paths. There will be new joys, unexpected problems, perhaps sudden tears, best met in the light of wisdom from the voices of the past.

Brevity need be no barrier to the might and power of true wisdom. The brief instruction, "Know thyself," is variously ascribed to Socrates, Plato, and others; but its value lies in its intrinsic worth and the rigorous mental discipline required of anyone attempting the task.

A young girl volunteered to sit through the night with a friend who was seriously ill. She had no duties except to report if any unfavorable change should occur in the patient. Through the long hours the girl undertook to analyze herself, frankly and sincerely reviewed her life, and determined that a new day should and would dawn for her. She made a beginning toward knowing herself.

So should we all, in our busy lives, take stock of ourselves and also try to partake of the richness of bequests from the past:

> Thought is the property of him who can entertain it, and of him who can adequately place it. EMERSON

> It is by presence of mind in untried emergencies that the native metal of a man is tested. LOWELL

> You cannot run away from a weakness; you must some time fight it out or perish; and if that be so, why not *now*, and where you stand? STEVENSON

Why live a shallow life when unfathomed depths are possible to us? Why suffer restricted vision if capable of looking to far horizons? Why accept the degradation of servitude when the heights of freedom are to be climbed? Why

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bear drab existence when the heart so easily can be rich with melody and the soul filled in appreciation of the beautiful?

Even now a new day is before each of us, measured by neither hours nor miles. It is our day. Individually we face the question: What will I do with this my own new day?

As *you* stand in the dawning of a new day, many voices call for your attention. Some come from out of the past, while others are yet beyond you. There is the voice of shallow gaiety, and you hear the voice of accomplishment – and others.

But, listen!

Another call is coming to you.

This voice does not ring with the sound of festivity nor is it the roar of merited acclaim. It seems that this voice must be muted because so few ever answer, despite its air of pathos and urgency. This voice sounds of suffering, hardship, heartache, and poverty.

Suffering and hardship can lead to enlightenment, build strength of character, and disclose unrealized abilities. And even those who have known little but sunshine may be privileged to share some of those "treasures of darkness" if they will listen and respond selflessly to that soft, plaintive appeal.

Such a call comes rarely to some, while others hear it with an intensity and a dedicated response that is forever. Only the unworthy will wholly refuse to hear and heed when from beseeching hands and broken hearts comes the whisper: "This is the way, walk in it." ◈

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Paradise Regained

SOME DAY a history of the world will be written in terms of islands. Where the continental masses spawn dictators and socialist repressions, the story of the islands is spangled with recurrent adventures in freedom. Historically it was Britain which led the procession, with its economists (Smith, Ricardo), its free trade politicos (Cobden and Bright), and all those merchant adventurers who picked up an empire without quite realizing they were doing it. In modern times Hong Kong shows what can be done in freedom; so, to a lesser extent, does Formosa. The trouble, as Leonard Read has said, is that islands in prosperity are tempted to go "the way of all flesh," relapsing into protectionist and "control" philosophies, and even into insanity, as in the case of Cuba. But they can put on grand shows while the impulse lasts.

The Bahama Islands, off the southeastern coast of Florida, have recently been putting on a particularly dazzling display of the development that can result when the freedom principles are followed. Snatches of the story are told in a remarkable publication called *Bahamas Handbook: 1966-1967* (Nassau, Bahamas, Etienne Dupuch Jr. Publications, $4.95), which is a blend of ancient island history and fascinating modern journalism. You won't find much here about the shady side of Bahaman development, such as the alleged U.S. mobster penetration of casino gambling in Freeport, a completely new city on the island of Grand Bahama just a few miles across the water from Palm Beach. But this story has been twisted out of proportion in lurid magazine accounts, so the handbook's failure to go into it redresses the balance. The point is that when people can work with 100-cent, tax-free dollars instead of 50-cent-net-after-tax dollars, the good things greatly outnumber the bad. There is no income tax in the Bahamas, and no capital gains tax,

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and foreign investors can still get breaks there even though their home internal revenue services in the U.S. and elsewhere are exhibiting more and more ingenuity in pursuing the fleeing enterpriser.

What impresses the reader of the *Bahamas Handbook* is the sheer joy of creation that is released when energy is uninhibited by the tax collector. Tycoons have been doing things in the Bahamas that they might very well have preferred to do in Florida, or Texas, or New Mexico, if the investment climate on the American mainland were all that it once was. Just ticking off the Bahama development stories should prove that capitalism, even as Don Marquis' cat, Mehitabel, has a dance in the old dame yet.

A City of Enterprise

The big story in the book revolves around the island of Grand Bahama and the building, by Wallace Groves of Virginia, of the new city of Freeport-Lucaya. Mr. Groves may have been shortsighted when he let professional managers in to run his gambling casinos, for some shady characters who had worked the tables in pre-Castro Havana turned up as members of the crews. But if Groves has made mistakes, they can be corrected by the commission that is looking into the gambling situation, presumably with an eye to throwing any Mafia-connected gentry out. Meanwhile the solid achievements of Mr. Groves will stand any amount of inspection.

An acerb critic said that the Groves group had "only" to promise a deep harbor and some solid industries in order to get 50,000 acres of Crown Lands at $2.80 an acre. The use of the word "only" is a tip-off to what Ludwig von Mises has called the "anti-capitalistic mentality." Nobody thought Grand Bahama Island was worth anything until Wallace Groves began inspecting its pine scrub wastes for lumber possibilities. He saw a lot more than lumber in the island, but to get land cheap he had to come up with a plan that included more than golf and casinos for prospective tourists.

After signing the so-called Hawksbill Creek agreement with the Bahama government in 1955, the Groves group spent five years on surveying, site planning, harbor dredging and construction, building roads, and so forth. It started a bunkering service for ships which, by 1961, had become the largest single installation of its kind in the Western Hemisphere. By 1965 more than 1,700 ships a year were taking on nearly 10 million barrels of fuel at the Freeport Bunkering Terminal. The refueling facilities at Free-

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port vastly extend the reaches of world shipping. Freeport's harbor is expected to become the "Europoort" of the hemisphere—a transshipment point for major bulk shipments to the Carribean area, where 100 million people live.

Enter, Industry

To carry out the promise of diversified industry for what had been a lazy tropical island, U.S. Steel was lured into creating for Freeport a mammoth cement company (4.8 million barrels a year). The cement company uses sand from the sea bottom, so its dredging operations are incidentally responsible for Freeport's harbor. Hard on the arrival of U.S. Steel's cement subsidiary, the Syntex Corporation chose Freeport for one of its big pharmaceutical plants. All this was to provide an offset to the Freeport tourist industry (300,000 a year by 1966). The profits made by Groves and the other developers of Grand Bahama Island were certainly legitimate rewards for good planning and hard work. The evils connected with casino gambling should pass once the investigation commission has finished its labors, but the community of Freeport-Lucaya will remain.

J. Louis Reynolds, the aluminum executive, is another American who has been lured by those 100-cent investment dollars to the Bahamas. On the island of Andros, the biggest in the Bahamas, the U.S. government has built its $130 million Atlantic Undersea Testing and Evaluation Center, or AUTEC, close to the 6,000-feet-deep arm of the Atlantic known as the Tongue of the Ocean. Andros is where the sonar detection work that is necessary to repel Soviet submarines is being pushed. Reynolds owns a 4,000-acre island farm next door to AUTEC, where he specializes in cucumbers, one of the top three Bahama exports, for the Florida market. But what Reynolds is really interested in is farming the sea. He predicts great undersea farms of lobster, shrimp, crabs, turtles, and conch, and he hopes to be the first person to grow a great spiney lobster in captivity. Reynolds says he will make Andros "a model of free enterprise."

$20 Million and Paradise

Two young men, James Crosby and Jack Davis, happened to be making a good thing out of their Mary Carter Paint Company of Tampa, Florida. But expanding the paint business on the U.S. mainland is a high-tax business. Crosby and Davis decided to put $20 million into Paradise Island, just opposite the Bahaman capital of Nassau. They will sell ex-

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clusivity to the few (as Huntington Hartford, who sold them the Paradise tract, once planned). But they will also sell swimming in the cleanest water in the world to the thousands of tourists who pour off the cruise ships. The Paradise development, naturally, will leapfrog ahead on those 100-cent dollars.

The Future?

Will the Bahama venture in free enterprise eventually go "the way of all flesh," with capital gains taxes and high income taxes creeping in to bring it to a halt as venturesome men like J. Louis Reynolds, James Crosby, and Jack Davis turn elsewhere? Just recently the islands' first "labor" (and Negro-dominated) government took over. Fortunately, Lynden Pindling, the first Bahaman Negro prime minister, sees the connection between what Groves, Reynolds, Crosby, and Davis are doing and full employment for the 138,000 native Bahamans. The native population of 138,000, which is almost exactly equal to the population of New Haven, Connecticut, caters to 900,000 tourists a year where New Haven has only a few thousand Yale students coming in from outside. With 900,000 spenders descending upon you, there are other sources of government revenue which make income and capital gains taxes unnecessary. Since Lynden Pindling took the portfolio of "Tourism and Development" in his own cabinet, the chances are that he sees this. The golden goose is not yet ticketed for the abattoir. ◈

A Better Approach

IF INDIVIDUALS say that they want high-bracket income taxes reduced because it is unfair to have to pay such high rates – the common argument – nobody is convinced because so many lower income people think that those who pay 70 per cent are lucky to have the income to pay it on. But if, on the other hand, we declare our objective to be a new and greater prosperity and a higher standard of living for everyone, and then show by examples how certain tax rates – not exclusively income – hamper industrial development, reduce the incentives for expansion, and keep people who need them out of jobs, we make an argument that is at least acceptable to intelligent people.

HAROLD BRAYMAN, *Corporate Management in a World of Politics*

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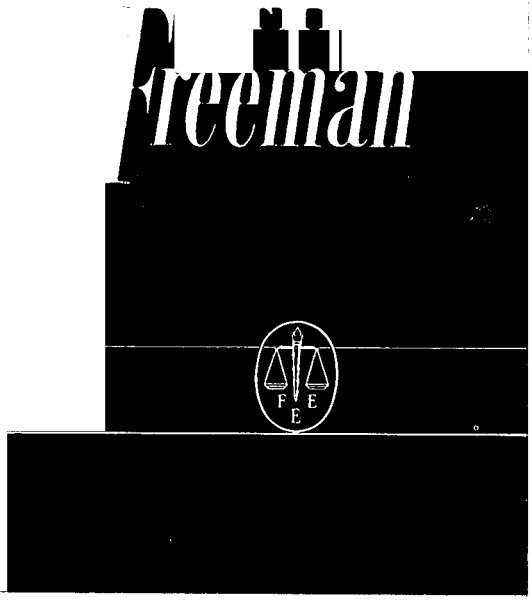

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INTEGRITY

■ It is a truth certain in the law of nature, that he who has made a promise to another, has given to that other a perfect right to demand the performance of the promise. Nations and the representatives of nations, therefore, ought to preserve inviolably their treaties and engagements: by not preserving them, they subject themselves to all the consequences of violating the perfect right of those, to whom they were made. . . . In public as in private life, among sovereigns as among individuals, honesty is the best policy, as well as the soundest morality. Among merchants, credit is wealth; among states and princes, good faith is both respectability and power.

JAMES WILSON

"Of the Law of Nations" Lectures on Law, 1790-91

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